



KPS Consortium Berhad
198501011364 (143816-V)

ANNUAL REPORT 2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Chua Hock Gee
Non-Independent Non-Executive Chairman

Lau Fook Meng
Executive Director

Hew Chee Hau
Independent Non-Executive Director

Cheng Lai Chuan
Independent Non-Executive Director

Wong See Mei
Independent Non-Executive Director

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA 0799845)
(SSM Practicing Certificate No. 202008000054)

Kong Mei Kee
(MAICSA 7039391)
(SSM Practicing Certificate No.202008002882)

AUDIT COMMITTEE

Chairman
Member
Member

Hew Chee Hau
Cheng Lai Chuan
Wong See Mei

NOMINATION COMMITTEE

Chairman
Member
Member

Cheng Lai Chuan
Hew Chee Hau
Wong See Mei

REMUNERATION COMMITTEE

Chairman
Member
Member

Cheng Lai Chuan
Hew Chee Hau
Wong See Mei

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICE

Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 26924271
Fax: (603) 27325388
Email: mega-info@megacorp.com.my

PRINCIPAL PLACE OF BUSINESS

Lot 622, Jalan Lapis Dua, Kampung Sementa
Batu 6, Jalan Kapar
42200 Klang
Selangor Darul Ehsan
Tel: (603) 32915566
Fax: (603) 32914489

REGISTRAR

Mega Corporate Services Sdn. Bhd.
Registration No. 198901010682 (187984-H)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 26924271
Fax: (603) 27325388
Email: mega-sharereg@megacorp.com.my
Website: www.megacorp.com.my

AUDITORS

Grant Thornton Malaysia PLT
(201906003682 & LLP0022494-LCA)
(Member Firm of Grant Thornton International Ltd.)
Chartered Accountants (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 26924022
Fax: (603) 27325119
Website: www.grantthornton.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Stock Code: 9121

WEBSITE

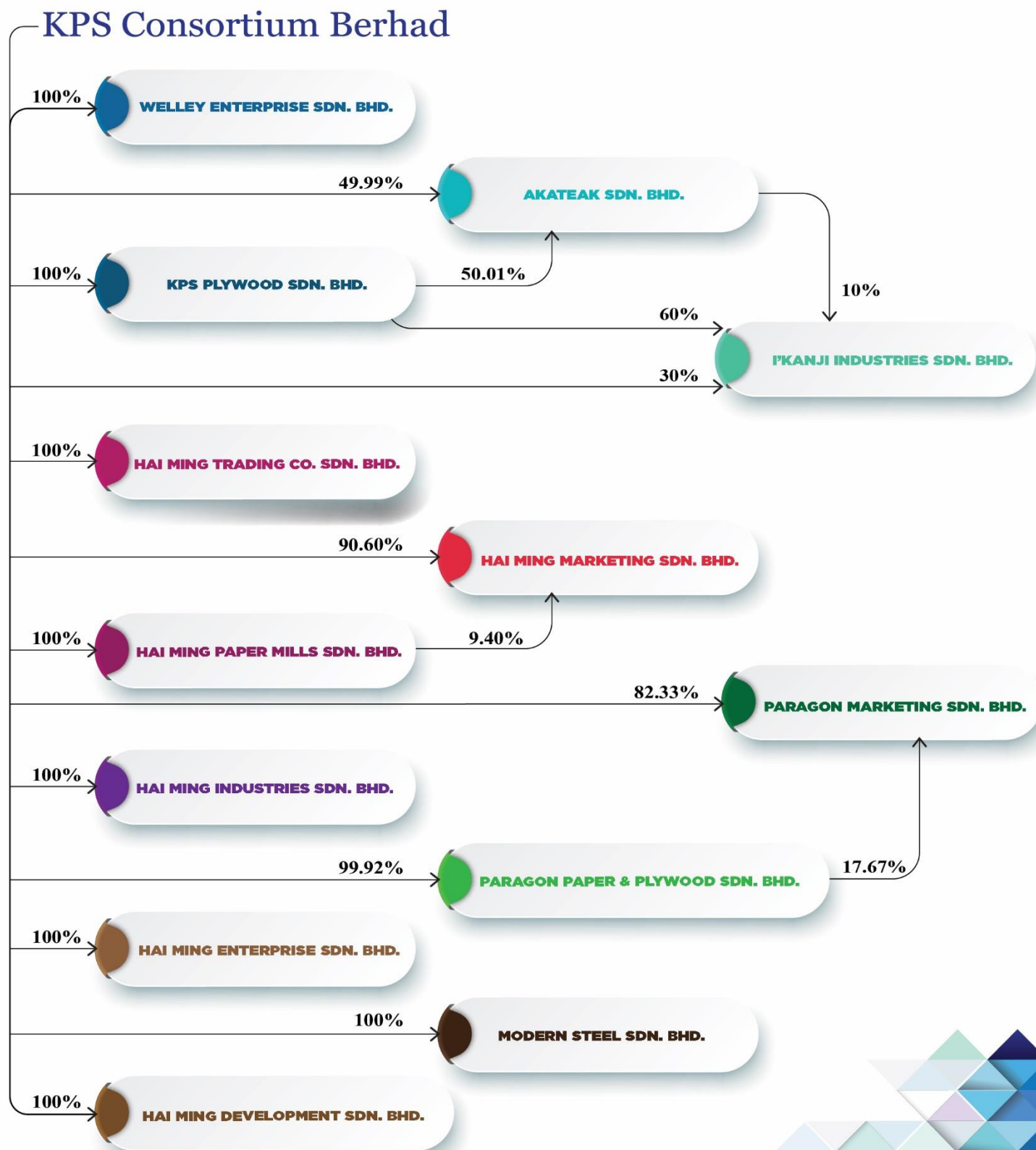
<http://www.kpsconsortium.com.my>

E-MAIL ADDRESS

info@kpsconsortium.com.my

CORPORATE STRUCTURE

As at 31 December 2023



PROFILE OF THE BOARD OF DIRECTORS

At the date of this report, the Board of Directors of KPS Consortium Berhad (“KPSCB” or “the Company”) comprises one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met five (5) times during the financial year ended 31 December 2023.

Particulars of the Directors are as follows:-

DATUK CHUA HOCK GEE, male, Malaysian, age 63, was appointed as an Executive Director of KPSCB on 24 May 2014 and re-designated to Executive Chairman on 19 January 2015. On 4 April 2018, he was re-designated to Non-Independent Non-Executive Chairman. He obtained Diploma in Electrical Engineering from a Polytechnic.

From 1982 to 1984, he worked as Production cum Engineering Superintendent in United Malaysia Timber Products Sdn. Bhd. in Kemaman, Terengganu. He was in charge of planning of raw material, manpower requirements and monitoring all the maintenance and up-keep factory machinery.

From 1985 to 1991, he was with Lion Group Berhad as Senior Project Executive and Project Coordinator at Mechanical (M&E) Department. He was involved in vast projects including aquaculture project in Puchong, Selangor Darul Ehsan; Kuala Sedili, Johor; Kota Belut and Tawau, Sabah. He was also responsible in planning and executing overall mechanical and engineering renovation in Parkson Sg. Wang and Keramuning, Sabah. He set up the preventive maintenance system in ASM Steel Mill Sdn. Bhd., Bukit Raja, Klang, Selangor Darul Ehsan.

From 1992 to 2004, he was appointed as an Executive Director of Syarikat CHG Plywood Sdn. Bhd., Syarikat Cheng Hin Timber Industry, Syarikat Galas Setia and OSK Timber Concession Sdn. Bhd. He was responsible in the overall planning of the companies' operations which involved raw material, manufacturing and marketing. He was assigned to develop new products and explore into a new market sector. He was in charge in planning, searching and developing of alternative source of materials and mechanisation of process manufacturing.

From 2007 till to-date, he is an active member in the Palm Plywood Project Phase 1 and 2 funded by Levy Fund of Ministry of Plantation Industries and Commodity which is also directly involved. This project involved the collaboration of Malaysian Timber Industry Board (“MTIB”), Forest Research Institute Malaysia, Malaysia Palm Oil Board and Universiti Putra Malaysia (“UPM”).

From 2011 until present, he is a consultant for JES Development Ptd. Ltd., Singapore involving in international timber products trading.

Datuk Chua attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2023.

LAU FOOK MENG, male, Malaysian, age 72, was appointed as an Executive Director of KPSCB on 19 September 2002. He is a Chartered Accountant. He obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Berhad in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Berhad as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn. Bhd.

Mr. Lau attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2023.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

HEW CHEE HAU, male, Malaysian, age 47 was appointed as an Independent Non-Executive Director of KPSCB on 10 December 2020. He has a Degree of Accounting from University of Malaya and a Member of Malaysian Institute of Accountants.

Mr. Hew Chee Hau is a Chartered Accountant. He is a Managing Director in several companies providing accounting, tax advisor, corporate secretarial and corporate advisory services. He also serves as corporate advisor and strategic partner in financial and strategic planning to propel execution of growth strategies in several businesses in Malaysia for more than 10 years.

Mr. Hew Chee Hau is the Chairman of the Audit Committee. He is also a member of the Nomination Committee and Remuneration Committee.

Mr. Hew attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2023.

CHENG LAI CHUAN, male, Malaysian, age 52 was appointed as an Independent Non-Executive Director of KPSCB on 29 March 2023. He obtained his Masters in Educational/Instructional Technology from University of Maine, Degree of Bachelor of Science from Western Michigan University and Diploma in Computer Science from RIMA College.

Mr. Cheng Lai Chuan is currently the Principal of AI Smartual Learning Sdn. Bhd. since 2018, which successfully developed three platforms for Education and Corporate Industry use. He also helps in Sustainability Reports of Public Listed Companies in Malaysia, Singapore, and Hong Kong.

He was the Investors Relations and Sustainability Director of SCGM Berhad and Business Development Manager in the Sales and Marketing Department for the subsidiary company, Lee Soon Seng Plastic Industries Sdn. Bhd.

He began his career as a Junior Research Analyst with CH Williams Talhar and Wong from 1995 till 1999. He joined Kong Sun Sdn. Bhd. as Marketing Executive. RHB Banking Group as Personal Financial Consultant, CIMB-Principal Asset Management as Vice President Institutional Equity Sales from 2000 to 2009.

Mr. Cheng then joined SCGM Plaza Sdn. Bhd. as General Manager from 2005 to 2011 overseeing the construction of Kulai Centre Point from conceptualization to design and the shopping centre's construction.

Mr. Cheng is the Chairman of the Nomination Committee and Remuneration Committee. He is also a member of the Audit Committee.

Mr. Cheng attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2023.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

WONG SEE MEI, female, Malaysian, age 35 was appointed as an Independent Non-Executive Director of KPSCB on 29 March 2023. She has a Diploma, Major in Graphic Design & Advertising from THE ONE Academy of Communication Design.

Ms Wong has more than 10 years of experience in Graphic Design & Advertising. She began her career as Head & Senior graphic designer in an event company in Exquisite Impression Sdn. Bhd. from 2010 till 2011.

She then joined Keyframe Design House as a Graphic designer in 2011 and subsequently joined Banway Marketing Sdn. Bhd., a printing company as a Senior graphic designer from October 2011 to February 2020.

She is currently the R&D Manager in Value Plus Industries Sdn. Bhd., a furniture company where she specializes in hardware and timber materials and furniture drawing since 2020.

She is also a freelance graphic designer in logo design, packaging design and layout and print design.

Ms Wong is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Ms Wong attended all four (4) Board of Directors' Meeting held during the financial year ended 31 December 2023.

Note:

All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any offences within the past five (5) years and do not have any conflict of interest in the Company and its group.

PROFILE OF KEY SENIOR MANAGEMENT

LAU FOOK MENG

Malaysian, male, age 72

As detailed on Page 5 - Profile of The Board of Directors in this Annual Report.

LOW TECK CHEONG

Malaysian, male, age 61

Qualification: Diploma in Business Administration

Mr. Low Teck Cheong joined Hai Ming Industries Sdn. Bhd. on 15 June 2009 as General Manager. He has been working with KPSCB group for more than fourteen (14) years. He is a Director to the Board of the subsidiaries of KPSCB since 2015 namely, Hai Ming Industries Sdn. Bhd., Hai Ming Paper Mills Sdn. Bhd. and Hai Ming Trading Co. Sdn. Bhd. where he is in charge of paper converting division and other trading divisions.

He does not have any family relationship with any director or major shareholder of KPSCB group.

He has not been convicted of any offences within the past five (5) years and does not has any conflict of interest in the Company and its group.

KOH KOK HOOR

Malaysian, male, age 39

Qualification: Secondary school education

Mr. Koh Kok Hoor has been working in KPSCB group for more than eighteen (18) years. He is a Director to the Board of subsidiaries of KPSCB since 2004. He is in charge of purchasing and marketing in the building materials division.

Mr. Koh Kok Hoor is the son of Mr. Koh Poh Seng, the major shareholder of KPSCB group.

He has not been convicted of any offences within the past five (5) years and does not has any conflict of interest in the Company and its group.

YONG CHEE WEI

Malaysian, male, age 42

Qualification: Higher National Diploma in Mechanical Engineering, UPM

Mr. Yong Chee Wei worked in a Taiwanese company as Assistant Production Manager for eight (8) years. He joined KPS Consortium Berhad group since 2010. He is a Director of Hai Ming Development Sdn. Bhd., Hai Ming Marketing Sdn. Bhd. and Modern Steel Sdn Bhd. Currently, he oversees Paragon Paper & Plywood Sdn. Bhd., I'Kranji Industries Sdn. Bhd. and Hai Ming Trading Co. Sdn. Bhd.

Mr. Yong Chee Wei is the son-in-law of Mr. Koh Poh Seng, the major shareholder of KPSCB group.

He has not been convicted of any offences within the past five (5) years and does not has any conflict of interest in the Company and its group.

5-YEAR GROUP FINANCIAL HIGHLIGHTS

In RM'000	2023	2022	2021	2020	2019
Revenue from continuing operations	1,079,792	943,298	656,854	735,991	954,490
Profit/(Loss) from continuing operations before tax	22,462	19,833	18,460	(6,520)	8,627
Profit/(Loss) from continuing operations after tax	17,470	15,829	14,726	(10,339)	6,573
Total comprehensive income/(loss) for the financial year	17,470	20,341	14,726	(10,339)	6,722
Total comprehensive income/(loss) attributable to owners of the Company	17,466	15,828	14,726	(9,732)	6,634
Total assets	540,240	563,649	536,206	491,949	553,305
Equity attributable to owners of the parent	321,158	296,888	276,541	261,349	271,081
In RM Net assets per share	2.08	2.01	1.87	1.77	1.83
In Sen Earnings/(Loss) per share	11.29	10.71	9.96	(6.58)	4.39

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results:

Over the past five financial years, KPS Consortium Berhad has experienced a dynamic trajectory in both revenue generation and earnings per share (EPS), reflecting the company's resilience, strategic decision-making, and responsiveness to market conditions.

Revenue Performance:

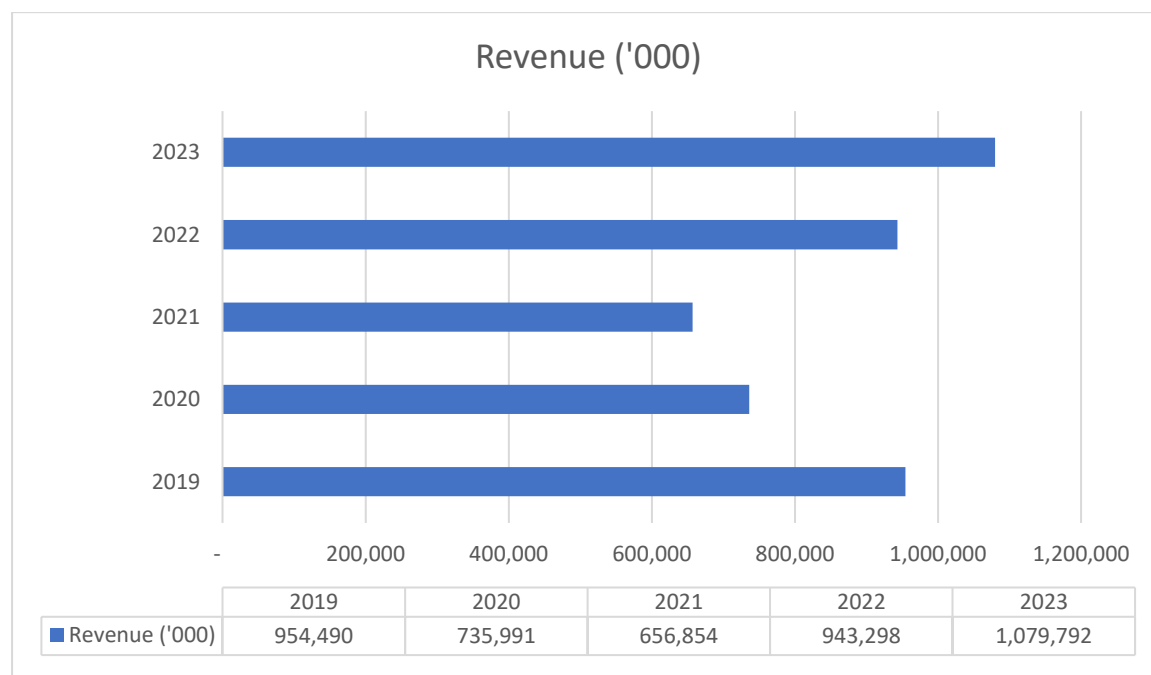
In the financial year ended 31 December 2019, KPS Consortium Berhad recorded a total revenue of RM954 million, representing a solid performance driven by ongoing infrastructure projects and steady demand in the construction sector.

However, the following year, the company faced challenges amid the onset of the COVID-19 pandemic. In the financial year ended 31 December 2020, total revenue declined to RM736 million. The pandemic-induced disruptions, including project delays and supply chain issues, contributed to this downturn.

Despite the setbacks of 2020, KPS Consortium Berhad demonstrated resilience and agility in the subsequent years. In 2021, the company rebounded with total revenue reaching RM657 million, reflecting proactive measures to adapt to the changing business landscape and capitalize on emerging opportunities.

The momentum continued into the financial year ended 31 December 2022, with total revenue further increasing to RM943 million. This growth was fueled by a resurgence in construction activities, supported by government infrastructure projects and improving market sentiment.

In the most recent financial year ended 31 December 2023, KPS Consortium Berhad achieved a significant milestone, with total revenue surpassing the RM1 billion mark, reaching RM1,080 million. This remarkable performance underscored the company's ability to capitalize on market opportunities and execute projects effectively.



Earnings Per Share (EPS) Performance

Alongside revenue growth, KPS Consortium Berhad's earnings per share (EPS) also experienced fluctuations over the five-year period, influenced by factors such as operational efficiency, cost management, and extraordinary circumstances such as the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Earnings Per Share (EPS) Performance (Cont'd)

In the financial year ended 31 December 2019, the company reported an EPS of 4.39 sen, reflecting solid profitability and operational performance.

However, in the following year, the company recorded a negative EPS of 6.58 sen, primarily attributed to the challenges posed by the COVID-19 pandemic, including project delays and financial provisions.

Subsequently, KPS Consortium Berhad demonstrated a remarkable recovery, with EPS rebounding to 9.96 sen in the financial year ended 31 December 2021, and further increasing to 10.71 sen in the following year, ended 31 December 2022.

In the most recent financial year ended 31 December 2023, EPS continued its upward trajectory, reaching 11.29 sen, reflecting the company's sustained profitability and enhanced shareholder value.

In conclusion, the narrative of KPS Consortium Berhad's revenue and earnings per share over the past five years reflects a journey of resilience, adaptation, and growth. Despite facing challenges such as the COVID-19 pandemic, the company has demonstrated its ability to navigate uncertainties, capitalise on opportunities, and deliver value to its stakeholders. Moving forward, KPS Consortium Berhad remains well-positioned to sustain its growth momentum and drive continued success.

Business Review by Operating Segments:

Paper Milling

The Paper Milling division reported external revenue of RM36.9 million, up from RM34.0 million in the prior year, with an after-tax profit of RM3.65 million. This demonstrates a increase from the profit after tax of RM0.8 million in the previous year.

Paper Converting and Trading of Woodfree Paper

This division experienced a significant increase in turnover, reaching RM200 million, up from RM169 million. However, it faced challenges resulting in a loss after tax of RM0.5 million, contrasting with the profit of RM0.7 million in the preceding year.

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Trading division saw a notable rise in turnover to RM811.8 million from RM713.9 million in the previous year. This segment also recorded an increase in operating profit after tax, reaching RM14.82 million, compared to RM14.82 million in the prior year. Despite being subject to the economic cycle of the housing industry, management maintains a cautiously optimistic outlook for the upcoming year.

Others – Trading of Paper Products, General Household Products, Property Development, Insurance Agency

This segment experienced a substantial increase in turnover, reaching RM31.01 million in the fiscal year 2023, compared to RM26.25 million in the previous year. However, it incurred a loss after tax of RM0.13 million, consistent with the loss of RM3.57 million in the preceding year.

In the realm of property development, a significant legal case between Hai Ming Development Sdn. Bhd. and Nautical Wealth Sdn. Bhd. was resolved on 16 November 2023. A Consent Judgment was entered for suite 24 and 41, with Hai Ming Development Sdn Bhd entitled to RM53,697,941.45, while Nautical Wealth Sdn. Bhd., which entered liquidation in 2021, awaits the liquidator to realize unsold factories for distribution to creditors approved by the Liquidator.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Future Outlook and Prospect of Malaysia Construction Industry

The construction industry in Malaysia is poised for significant growth in the coming years, driven by several key factors including government infrastructure projects, urbanization, and increasing demand for residential and commercial properties. Despite challenges such as regulatory hurdles and economic uncertainties, the industry is expected to thrive, presenting numerous opportunities for investors, contractors, and other stakeholders. This report provides a comprehensive analysis of the future outlook of the construction industry in Malaysia, highlighting key trends, challenges, opportunities, and potential strategies for success.

As we gaze into the future of Malaysia's construction industry, the landscape appears both promising and challenging, marked by a blend of opportunities and risks that will shape the trajectory of the sector in the years to come.

Urbanization as a Catalyst: Urbanization stands as a powerful force propelling the construction industry forward. Malaysia's cities are evolving at a rapid pace, fueled by demographic shifts and economic growth. As more people migrate to urban areas in search of employment opportunities and better living standards, the demand for residential, commercial, and infrastructure developments continues to soar. This trend is particularly pronounced in key urban hubs such as Kuala Lumpur, Penang and Johor Bahru, where construction cranes dot the skyline, heralding a new era of urban transformation.

Government-Led Infrastructure Initiatives: The Malaysian government's commitment to infrastructure development remains unwavering, serving as a cornerstone of the nation's growth agenda. Bold initiatives such as the East Coast Rail Link (ECRL), the High-Speed Rail (HSR) project connecting Kuala Lumpur and Singapore, and the Pan Borneo Highway underscore Malaysia's ambition to enhance connectivity, stimulate economic activity, and improve the quality of life for its citizens. These mega-projects not only provide a steady pipeline of work for construction firms but also spur ancillary industries, creating a multiplier effect that reverberates across the economy.

Sustainable Construction Practices: In tandem with economic progress, sustainability has emerged as a focal point in Malaysia's construction discourse. With heightened awareness of environmental conservation and climate change, stakeholders are increasingly embracing sustainable construction practices that minimize carbon footprint and promote resource efficiency. Green building certifications such as the Green Building Index (GBI) and Leadership in Energy and Environmental Design (LEED) are gaining traction, incentivizing developers to adopt eco-friendly designs and technologies. From energy-efficient buildings to eco-parks and green infrastructure, sustainability is reshaping the built environment, setting a precedent for future development endeavors.

Technological Advancements and Digital Transformation: The digital revolution is reshaping the construction industry, ushering in an era of unprecedented innovation and efficiency. Building Information Modeling (BIM), augmented reality (AR), and drones are revolutionizing project planning, design, and execution, enabling stakeholders to visualize, simulate, and optimize construction processes with precision. Advanced construction materials and techniques, coupled with IoT-enabled smart infrastructure, are enhancing asset performance, maintenance, and safety standards. As Malaysia embraces Industry 4.0 principles, the construction sector stands poised to harness the transformative power of technology, driving productivity gains and cost savings across the project lifecycle.

International Expansion and Global Integration: Beyond domestic borders, Malaysian construction firms are increasingly venturing into international markets, leveraging their expertise and experience to undertake projects in the ASEAN region and beyond. Strategic collaborations, joint ventures, and public-private partnerships are facilitating cross-border investments and knowledge exchange, positioning Malaysia as a regional construction hub and fostering global integration. From iconic skyscrapers to critical infrastructure projects, Malaysian contractors are leaving an indelible mark on the global construction landscape, showcasing their capabilities on the international stage.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Future Outlook and Prospect of Malaysia Construction Industry (Cont'd)

Navigating Challenges and Embracing Opportunities: Yet, amidst the promise of growth and prosperity, the construction industry grapples with a host of challenges that demand strategic foresight and resilience. Regulatory complexities, economic uncertainties, and geopolitical risks cast shadows of uncertainty, underscoring the importance of prudent risk management and adaptive strategies. The shortage of skilled labor, coupled with evolving market dynamics, poses human capital challenges that require innovative solutions and talent development initiatives. As the industry charts its course into the future, stakeholders must navigate these challenges while seizing opportunities for collaboration, innovation, and sustainable growth.

Conclusion:

In conclusion, the future of Malaysia's construction industry is teeming with possibilities, shaped by the convergence of urbanization, infrastructure development, sustainability, technology, and global connectivity. As the nation embarks on its journey towards Vision 2040 and beyond, the construction sector stands as a linchpin of progress, poised to realize Malaysia's aspirations for economic prosperity, social advancement, and environmental stewardship. By embracing innovation, fostering collaboration, and championing sustainability, stakeholders can chart a course towards a vibrant, resilient, and inclusive built environment that enriches the lives of all Malaysians.

To take into account other information (Chairman's statement, Management Discussion and Analysis) included in annual reports and ensure that the financial and non-financial information disclosed are consistent with the key assumptions underlying the financial statements.

Datuk Chua Hock Gee

Non-Independent Non-Executive Chairman

SUSTAINABILITY STATEMENT

Message From Our Chairman

Dear Esteemed Stakeholders,

It is with great honour and a sense of profound responsibility that I address you as the Chairman of KPSCB. Our commitment to sustainability forms the cornerstone of our operations, and it is a privilege to share the strides we have made in this regard during the fiscal year 2023.

Our journey towards sustainability is marked by a steadfast dedication to integrating responsible practices across every facet of our business. A testament to our commitment is our innovative recycling initiative, where we have actively engaged the public in recycling efforts, transforming discarded papers into high-quality toilet papers. This initiative not only underscores our commitment to environmental stewardship but also demonstrates the circular economy in action, reducing waste and conserving resources.

Another pivotal achievement this year has been our success in fostering a culture of integrity and ethical conduct within our organisation. I am proud to announce that 100% of our employees have participated in and completed anti-bribery and corruption training. This milestone reflects our unwavering dedication to maintaining the highest standards of corporate governance and ethical business practices, ensuring that we operate not just in compliance with regulations but with an innate sense of right.

Moreover, our efforts in ensuring sustainable practices go beyond mere compliance. We are continuously seeking innovative ways to reduce our environmental footprint, enhance the well-being of our communities, and contribute positively to the global sustainability agenda. From reducing energy consumption and emissions to supporting local communities and ensuring the well-being of our employees, our actions are guided by a holistic understanding of sustainability.

As we move forward, we recognise that the path to sustainability is ongoing and filled with challenges. Yet, our achievements thus far embolden us to push the boundaries further. We remain committed to engaging with our stakeholders, understanding their expectations, and responding to the rapidly changing landscape with agility and foresight.

In closing, I wish to extend my heartfelt gratitude to our employees, customers, partners, and the communities we serve. Your trust, support, and collaboration are invaluable as we continue to strive towards a more sustainable and prosperous future for all.

With sincere appreciation,

Datuk Chua Hock Gee

Non-Independent Non-Executive Chairman

SUSTAINABILITY STATEMENT (CONT'D)

About KPS Consortium Berhad (“KPSCB” or “the Group”)

KPSCB is a Malaysian investment holding company that is primarily engaged in trading of building materials (75% of group turnover), lesser extend manufacturing of tissue papers (20% of group turnover), general trading (2% of group turnover). Property division completed its joint-venture development project in 2019 and there is no other existing development projects in hand except for sub-contracting projects.

KPSCB's tissue paper manufacturing business includes the production of various types of tissue paper, toilet tissues, and paper napkins. In addition to its tissue-related businesses, KPSCB is also involved in the property development business including the development of residential and commercial properties, including landed properties, apartments, and commercial shop lots.

KPSCB's investment holding business involves investing in other companies and assets, including real estate. With a diverse portfolio of businesses and a strong presence in Malaysia and beyond, KPSCB is a dynamic and growing company with a solid reputation for quality and reliability.

Reporting Standards

Overview

KPSCB's annual Sustainability Statement details the company's efforts towards sustainable development during the financial year ended 2023, and it is produced to fulfil our responsibilities towards stakeholders.

By enhancing transparency and disclosure in the report, we aim to build trust and improve relationships with our stakeholders, including employees, investors, customers, business partners, suppliers, and the communities in which we operate. The Sustainability Statement is consistent with the Company's Annual Report and corporate website, and other material issues such as detailed corporate governance, internal operations, and business activities are reported elsewhere. Moreover, KPSCB has an informal sustainability governance in place to manage the sustainability matter as disclose in the statement.

The Group acknowledges that sustainability is an ongoing process, and continuous effort is required to improve performance targets and achievements. While some third parties assisted in data collection, analysis, and information presentation, we did not seek external assurance for other information.

Scope of Period

Our Sustainability Statement covers the sustainability performance and progress from all segments for the reporting period from 1 January 2023 to 31 December 2023, unless otherwise stated. Detailed references to our company's financial earnings can be found in the Annual Report 2023. All financial amounts stated in the statement is denominated in Ringgit Malaysia (“RM”) unless otherwise stated.

Forward-Looking Statements

This Sustainability Statement presented herein contains forward-looking statements expressing KPSCB's present views on the prospects of future events and financial performance. Such statements entail risks and uncertainties and are recognizable by the use of words such as "aim," "believe," "expect," "anticipate," "intend," "estimate," "project," "outlook," "forecast," and other similar expressions that indicate future events and trends.

Although KPSCB management considers such statements reasonable based on the available information, there is no assurance that the outcomes implied or reflected by any forward-looking statement will come to fruition or that they will have the expected or projected consequences and effects. Any forward-looking statement is only valid as of the date of this report and are subject to change without notice, and neither the Group nor any of its subsidiaries undertakes responsibility to revise any forward-looking statement, whether due to new information, future events, or other causes.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical And Responsible Business Ethics

KPSCB recognises that the challenges facing our world today require a significant shift in the way we do business. That is why we have made a commitment to integrate ESG considerations into every aspect of our operations, from the way we source materials and manage our supply chain, to the way we engage with our employees, customers, and communities.

Our commitment to ESG and sustainability is not just about meeting targets or complying with regulations. It is about doing the right thing for our planet and the people who inhabit it. As such, the Group will continue to hold ourselves accountable to the highest standards of transparency and ethics, and we will seek to engage with our stakeholders on an ongoing basis to ensure that we are living up to our commitments.

The Group understands that this journey towards greater sustainability will not be easy, but we are committed to making it happen. Together, we can build a more resilient, equitable, and sustainable future for us all.

Our Reporting Boundaries

KPSCB's sustainability approach incorporates several business segments. Unless otherwise stated, the sustainability information included in the report includes the performance of the following Group assets:-

Business Division	Company Reference in the Report	Areas of Business
Manufacturing	Paragon Paper & Plywood Sdn Bhd I'Kranji Industries Sdn Bhd	Paper Converting Wood Laminating
Trading	Welley Enterprise Sdn Bhd Akateak Sdn Bhd Hai Ming Enterprise Sdn Bhd Modern Steel Sdn Bhd KPS Plywood Sdn Bhd Hai Ming Industries Sdn Bhd Paragon Marketing Sdn Bhd Hai Ming Paper Mills Sdn Bhd Hai Ming Trading Co. Sdn Bhd Hai Ming Marketing Sdn Bhd	Primarily dealing in Building and Construction Materials

Paper Milling Division:

This division is the cradle where raw paper begins its journey, transforming into various types of tissue paper and related products. The facility, equipped with state-of-the-art milling machinery, plays a critical role in the production line. It is here that the group's commitment to quality begins, with a focus on creating a versatile range of tissue products that meet the needs and standards of consumers.

Paper Converting Division:

In the Paper Converting Division, the paper produced in the mills is further processed and converted into finished products. This may involve cutting, reeling, and packaging to turn large rolls of tissue paper into the consumer-friendly products found on store shelves, such as toilet rolls, paper towels, and napkins. This division is a key link in the value chain, adding utility and convenience to the raw paper materials.

SUSTAINABILITY STATEMENT (CONT'D)

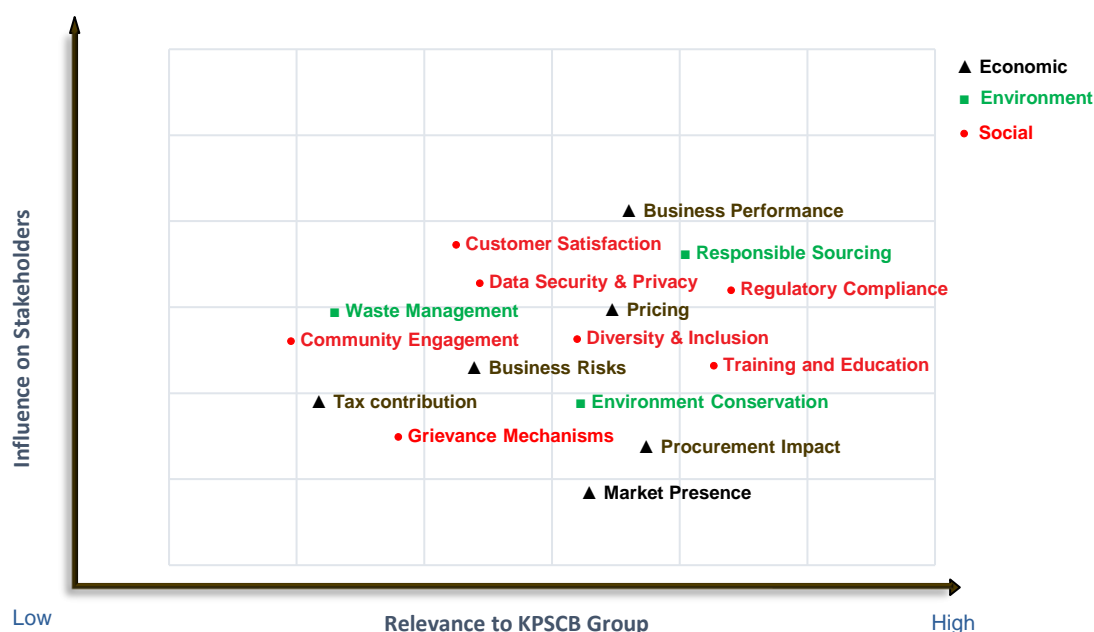
Our Reporting Boundaries (Cont'd)

Building Materials Division:

Diverging from paper, this division deals with more robust materials. As a distributor and retailer, this division focuses on the supply of wooden doors, plywood, and related building materials. It serves as a vital resource for construction and renovation projects, providing essential components that ensure functionality and aesthetics in building projects. The emphasis here is on durable, high-quality materials that contribute to the structural integrity and design of buildings.

Identification Of Material Topics

Our materiality approach helps to link our strategies, performance management, and reporting, making it a crucial part of our sustainability management process. When it comes to sustainability, issues that could significantly harm our company's bottom line as well as those that might make it more difficult for us to meet both present and future demands are considered material. In order to determine which subjects should be included in the Report, the Group undertook a materiality analysis. The material subjects are listed as follows, based on a brief survey.



KPSCB will utilise the materiality assessment to achieve the following objectives: -

- Identify sustainability issues that are most significant for the business in terms of value, risks, and long-term planning opportunities.
- Understand the relationship between sustainability and critical business concerns.
- Receive guidance for future sustainability commitments and resource allocation.
- Facilitate engagement with internal and external stakeholders.

SUSTAINABILITY STATEMENT (CONT'D)

Identification Of Material Topics (Cont'd)

Due to the extensive range of business segments within KPSCB, we will limit our focus to the trading of building materials. For the current financial year, our scope of work will revolve around evaluating the following materials: -



Stakeholders Engagement

Due to the Group's involvement in a wide range of businesses, including the trading of plywood and building materials, manufacturing of tissue papers and tissue-related products and trading in paper products, stationery and household products and property development, KPSCB has relationships with a number of different stakeholders. Our engagement with our stakeholders is important to us because we strive to meet the needs of our stakeholders.

Developing informed relationships through constructive bilateral communication fosters accountability and transparency within our organisation. By actively engaging with stakeholders, we gain valuable insights and perspectives on various topics that influence our sustainability strategy. These interactions enable us to test innovative ideas and collaboratively solve industry-wide challenges. Additionally, stakeholders play a vital role in identifying critical points, raising important issues, and facilitating a deeper understanding of our Group's direction by emphasising key areas of focus. Through open and transparent dialogue, we strengthen our relationships with stakeholders and collectively drive positive change within the industry.



SUSTAINABILITY STATEMENT (CONT'D)

Stakeholders Engagement (Cont'd)

The following is a list of each stakeholder group's priority issues for 2023, along with our plans for addressing each one:-

Employees and Their Families

At KPSCB, we hold the conviction that our employees and their families are the bedrock of sustainability. A sustainable workplace is not a mere concept but a practice where the health, safety, and overall wellbeing of our workforce and their families are placed at the forefront.

Our commitment for the year 2023 is to cultivate an environment that not only ensures safety and promotes health but also supports the mental and emotional wellbeing of every individual associated with our company. We will implement sustainable operational practices that prioritize waste reduction, energy and water conservation, and the adoption of eco-friendly products.

Engagement with our employees and their families is crucial in our sustainability efforts. We plan to facilitate forums where employees can contribute their insights and opinions on our sustainability initiatives. Furthermore, we are dedicated to providing our employees with comprehensive training and the necessary tools to become advocates of sustainability, both within the framework of our operations and in their everyday lives.

Customer Engagement

KPSCB acknowledges the importance of our customers in the sustainable trajectory of our operations. A sustainable business model not only addresses current needs but also takes into account the long-term implications for our customers and future generations. Our agenda for 2023 is to offer superior products and services that fulfill our customers' needs while minimising environmental footprints. As part of our commitment to sustainability, KPSCB actively seeks to reduce our carbon footprint through various initiatives, including sourcing sustainable materials, minimising waste, and embracing eco-friendly practices throughout our supply chain. One key initiative involves partnering with local suppliers, which allows us to reduce transportation emissions associated with sourcing materials from distant locations. By prioritising local suppliers, we not only support the local economy but also contribute to the reduction of greenhouse gas emissions associated with transportation. This strategic approach aligns with our broader sustainability goals and underscores our dedication to environmental stewardship. Through collaborative efforts with local partners and ongoing innovation, we strive to create a more sustainable and resilient supply chain while minimising our environmental impact.

Customer engagement is integral to our sustainability strategy. We will actively seek their participation, encouraging them to provide input on our sustainability endeavors and equipping them with the necessary information to make sustainable choices. By fostering ongoing collaboration and dialogue with our customers, we aim to enhance our sustainability practices continually and create a positive, enduring impact on the environment and society.

Local Community Engagement

KPSCB is fully aware of the local community's integral role in our pursuit of sustainability. Our business practices are designed to benefit the social, economic, and environmental well-being of the communities where we operate, extending these benefits to future generations. Our approach involves a proactive engagement with local communities to understand and address their specific sustainability needs and priorities.

SUSTAINABILITY STATEMENT (CONT'D)

Local Community Engagement (Cont'd)

In 2023, we were determined to deepen our involvement with local organisations, community leaders, and residents to develop and implement targeted initiatives. We planned to leverage our resources to support local economies, offer employment opportunities, and foster community development programs. Additionally, we continued to champion sustainability education and awareness, working alongside local entities to promote these crucial programs. Our collaboration with the local community was an ongoing commitment, one that we believed would yield a sustainable future for all parties.

Environmental Engagement

KPSCB's environmental engagement is an ever-evolving journey towards reducing our ecological footprint and achieving our sustainability ambitions. Our compliance with environmental regulations is unwavering, as is our commitment to responsible sourcing. The plywood and other materials we trade are procured from credible suppliers, ensuring sustainability from start to finish.

Our growth potential lies in the rising consumer demand for eco-friendly products. In response, we will continue to align ourselves with conservation efforts and partnerships dedicated to environmental preservation. Our goal is to innovate continuously and enhance our sustainability measures to meet and exceed industry standards.

Business Partners and Suppliers Engagement

The growing consumer preference for sustainable products is reshaping our industry. KPSCB understands the importance of responsible sourcing and is committed to evaluating our suppliers rigorously. We will ensure that we partner with only those suppliers who can provide certification of sustainable forest management and legal timber procurement practices.

KPSCB's stance against illegal logging is resolute. All of our procurement practices will adhere to the strictest laws and regulations to prevent any association with illegal timber trade. Our relationship with suppliers is built on the foundation of reliability and a mutual commitment to environmental stewardship.

Shareholders and Investors Engagement

KPSCB values the trust and investment our shareholders and investors place in us. It is our responsibility to engage them through transparent and informal dialogues, integrating their feedback into our business strategies.

Our disclosure practices are characterized by fairness and timeliness, ensuring all stakeholders receive the same information simultaneously. In collaboration with our investor relations department, we will initiate activities aimed at sustained growth and increasing long-term business value.

By maintaining open lines of communication with our shareholders and investors, KPSCB is not only responsive to their needs and concerns but also dedicated to promoting sustainable growth and generating enduring value.

SUSTAINABILITY STATEMENT (CONT'D)

An Overview Of The Material Assessment

Stakeholder Group	Frequency & Engagement Type	Concerns	Management Strategies
Customers (Current & Prospective)	Continuous interactions through periodic meetings, satisfaction surveys, and CRM systems	<ul style="list-style-type: none"> - Product pricing - Quality of customer service and product - Adherence to regulations - Business ethics 	<ul style="list-style-type: none"> - Strategic pricing initiatives - Swift and effective customer service resolutions - Enforcement of a stringent quality management system
Employees	Regular interactions via onboarding programs, performance reviews, and company-wide gatherings	<ul style="list-style-type: none"> - Career growth and training - Health and safety at work - Employee morale and satisfaction - Workplace environment 	<ul style="list-style-type: none"> - Comprehensive educational and career development programs - Rigorous health and safety initiatives - Continuous employee engagement and communication efforts
Suppliers	Occasional connections through performance assessments and compliance training	<ul style="list-style-type: none"> - Equity in supplier selection - Compliance with regulations - Expectations on pricing and payment terms - Product standards and quality 	<ul style="list-style-type: none"> - Transparent supplier negotiation and selection processes - Ongoing improvements to procurement procedures - Clear communication of product specifications and quality benchmarks
Investors and Financiers	Yearly and quarterly engagements including general assemblies, financial announcements, and media briefings	<ul style="list-style-type: none"> - Corporate governance and ethics - Financial outcomes affecting ESG factors - Business risks - Public image 	<ul style="list-style-type: none"> - Detailed Annual and Sustainability Reports - Introduction of diverse, cost-effective products - Regular financial performance updates - Active media engagement
Business Partners	Sporadic interactions through meetings, social functions, and product introductions	<ul style="list-style-type: none"> - Timeliness and conditions of payments - Terms of reference - Evaluations - Observance of human rights 	<ul style="list-style-type: none"> - Establishment of comprehensive SOPs - Efficient SOP monitoring and enforcement
General Public	Non-regular engagement via public dialogues and interactive sessions	<ul style="list-style-type: none"> - Community environmental impact 	<ul style="list-style-type: none"> - Collaboration with subject matter experts - Transparency through detailed public reporting
Governments and Regulators	As-needed basis through regulatory meetings, consultations, and compliance reporting	<ul style="list-style-type: none"> - Regulatory conformance - Safety standards in the workplace - Environmental regulation adherence 	<ul style="list-style-type: none"> - Commitment to responsible reporting and marketing - Rigorous compliance with legal and regulatory standards, supported by a dependable reporting and monitoring system

SUSTAINABILITY STATEMENT (CONT'D)

Anti Bribery and Corruption Policy

Business integrity and ethics are fundamental to KPSCB's ongoing success, underscored by a profound commitment to ethical behaviour and high corporate ethical standards. This dedication includes strict adherence to all relevant laws and regulations that govern our business operations. The Risk Management & Sustainability Committee, chaired by an experienced Independent Non-executive Director, is instrumental in identifying and mitigating potential risks that could affect KPSCB's operations. This committee is tasked with supervising the Internal Audit Department, which conducts regular internal audits, audits of transactions involving related parties, enterprise risk management surveys, and ad-hoc audits, all aimed at ensuring compliance with established rules, regulations, and policies.

KPSCB strictly enforces the Malaysian Anti-Corruption Commission (Amendment) Act 2018, ensuring adherence to its stipulations. Our commitment to ethical business conduct is evidenced by the implementation of a comprehensive Anti-bribery and Corruption Policy, which reflects our zero-tolerance stance towards any form of bribery and corruption in our day-to-day operations. A "No Gift" Policy is part of this commitment, prohibiting employees from accepting or offering gifts, except under specific procedures and in exceptional circumstances, with a detailed gift register form maintained for oversight and assessment of gift transactions.

Furthermore, KPSCB has established a robust Whistleblowing Policy and Procedures, providing stakeholders with a secure means to report any suspicions of corruption, malpractice, or misconduct within the company, without fear of retaliation. To minimise conflicts of interest, all employees are required to annually fill out a Conflict-of-Interest Declaration Form, reaffirming their commitment to the highest levels of integrity and transparency in their duties.

In terms of anti-corruption efforts, KPSCB has not recorded any substantiated complaints related to Anti-Bribery & Corruption or gift-giving incidents over the fiscal years 2021, 2022 and 2023, achieving our Key Performance Indicator (KPI) target of zero complaints. This achievement highlights our steadfast commitment to maintaining a corruption-free environment across all facets of our business operations

Anti - Corruption	FYE 2021	FYE 2022	FYE 2023	Target (s)
Substantiated complaints pertaining to Anti-Bribery & Corruption and gift giving incidents	0 case	0 case	0 case	0 case

To further amplify KPSCB commitment towards its Anti Bribery and Anti Corruption Policy, the Group has mandated all staff to undergo its yearly Anti-Bribery and Anti-Corruption training.

Group	Response Rate %	Percentage Attended Training/Or Sign the Declaration Form
Employees	100%	100% attended training
Suppliers	N/A	On-going process
Customers	N/A	On-going process

KPSCB acknowledges the importance of conducting a thorough risk assessment for anti-bribery and anti-corruption measures within our operations. While we regret that such an assessment has not been completed to date, we are committed to addressing this matter promptly. As part of our ongoing commitment to ethical business practices, we have prioritized the implementation of a comprehensive risk assessment process, which will be undertaken in the upcoming year. By proactively identifying and mitigating potential areas of vulnerability, we aim to strengthen our integrity framework and uphold the highest standards of corporate governance.

SUSTAINABILITY STATEMENT (CONT'D)

Whistleblowing Policy

KPSCB is dedicated to upholding the highest levels of ethical conduct, integrity, and transparency across all areas of our business operations. In alignment with this commitment, we have established a Whistleblowing Policy to offer a secure and confidential avenue for employees and stakeholders to voice any concerns regarding potential misconduct within the company.

This Whistleblowing Policy is applicable to all KPSCB employees, contractors, suppliers, customers, and other stakeholders. It encompasses any suspected or actual instances of misconduct, fraud, corruption, unethical behavior, or breaches of laws, regulations, or company policies that may transpire within the company or in relation to its business dealings.

We encourage individuals who notice or suspect any misconduct to report their concerns without delay. Anonymous reports can be submitted through the following designated whistleblowing channels:

EMAIL	LETTER
whistleblowing@kpsconsortium.com.my	KPS Consortium Berhad Lot 622, Jalan Lapis Dua, Kampung Sementa Batu 6, Jalan Kapar 42200 Klang Selangor Darul Ehsan. Attention: Executive Director

It is advisable for reports to contain comprehensive details such as the nature of the issue, pertinent dates, parties involved, and any available evidence to aid in a thorough investigation and resolution.

Maintaining confidentiality during the whistleblowing process is of utmost importance. KPSCB guarantees that all reports are handled with the highest degree of confidentiality, ensuring the whistleblower's identity is safeguarded to the maximum extent feasible, in accordance with legal stipulations and the needs of the investigation. By fostering a culture of transparency and accountability, KPSCB reaffirms its dedication to ethical excellence and the cultivation of trust within the organisation.

Reports are expected to contain comprehensive details including the nature of the issue, pertinent dates, parties involved, and any corroborative evidence to aid in a thorough investigation and resolution.

Confidentiality is a cornerstone of the whistleblowing framework. KPSCB guarantees that all submissions are handled with the highest level of discretion, ensuring the whistleblower's anonymity is safeguarded as much as possible, in alignment with legal obligations and the necessities of the investigation. Through fostering a culture of openness and responsibility, KPSCB reaffirms its dedication to maintaining ethical principles and building trust across the company.

SUSTAINABILITY STATEMENT (CONT'D)

Data Privacy and Breach

To uphold fairness and ethical standards in its activities, the Internal Audit department at KPSCB is crucial in maintaining the highest levels of integrity and compliance. This dedication is further emphasised through the organisation's strict compliance with the Personal Data Protection Act 2010, reflecting its commitment to the protection of personal and sensitive data. KPSCB employs stringent data security protocols to prevent unauthorised access or leaks of information to outside parties. Moreover, the company ensures that all essential documents, including approved blueprints and pricing details, are securely stored in locations that are only accessible to authorised personnel. This approach underscores KPSCB's commitment to confidentiality and the safeguarding of sensitive information.

Data privacy and security	FYE 2021	FYE 2022	FYE 2023	Target (s)
No. of complaints on breach data	0 case	0 case	0 case	0 case

Economic Material Matters

Financial Performance

To align with our scope of work, we will categorise the financial performance into six (6) distinct business segments or divisions. KPSCB's primary focus lies in trading plywood, wood products, and building materials, as well as paper products, stationery, and household goods trading. Additionally, they are involved in the manufacturing of tissue papers and related products. Our financial performance will exclude revenue from property development. The table below shows the KPSCB Direct Economic Value Creation and retained from its economic activities.

Item	FYE 2022	FYE 2023
Revenue from the sale of goods	920,919,261	1,053,616,045
Revenue from providing services	287,365	530,112
Revenue from financial investments	826,912	1,434,229
Other Operating Income	4,333,520	7,909,546
Direct economic value generated		
Economic Value Distributed		
Operating Expenses	1,834,195	3,322,448
Wages and other payments to employees	10,609,568	8,868,082
Payments to providers of capital	0	0
Payment to financial institutions	4,564,377	26,014,067
Payment to shareholders	0	0
Payment to creditors	4,524,446	17,290,459
Payment to the Government including income tax expenses	5,758,123	5,662,236
Community Investment	0	0
Economic Value Distributed	0	0
Economic Value Retained	136,005,237	153,471,346

SUSTAINABILITY STATEMENT (CONT'D)

Economic Material Matters (Cont'd)

Financial Performance (Cont'd)

In FYE 2023, KPSCB's revenue streams exhibited significant growth compared to the previous year. Revenue from the sale of goods surged from RM920,919,261 to RM1,053,616,045, reflecting increased market demand or improved sales strategies. Similarly, revenue from providing services experienced a notable rise, climbing from RM287,365 to RM530,112, indicating expanded service offerings or enhanced service delivery.

The company experienced a notable increase in revenue from financial investments, rising from RM826,912 to RM1,434,229. This growth indicates successful investment activities or favorable market conditions. Additionally, other operating income more than doubled, increasing from RM4,333,520 to RM7,909,546. This significant rise may be attributed to diversified income sources or improved operational efficiencies.

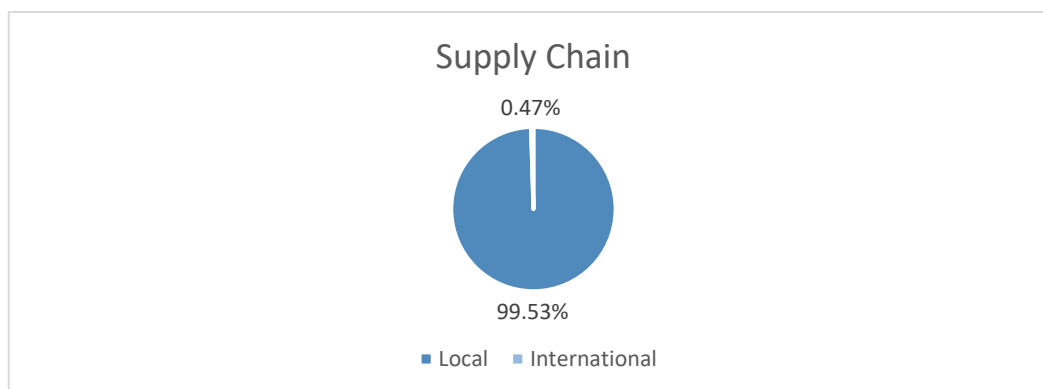
On the economic value distribution front, operating expenses rose substantially from RM1,834,195 to RM3,322,448, likely due to increased business activities or operational expansion. However, wages and other payments to employees experienced a slight decline, decreasing from RM10,609,568 to RM8,868,082.

Payments to financial institutions saw a significant uptick, surging from RM4,564,377 to RM26,014,067, indicating increased borrowing or financing activities. Similarly, payments to creditors more than tripled, rising from RM4,524,446 to RM17,290,459, possibly reflecting higher procurement or contractual obligations.

Despite these increased distributions, KPSCB maintained its commitment to corporate social responsibility and community investment, with no changes reported in this area. Overall, the company retained a healthy economic value of RM153,471,346, indicating its ability to generate and effectively manage wealth while sustaining operational growth and fulfilling financial obligations.

Supply chain Management

KPSCB takes pride in its commitment to local sourcing, with an impressive 99.53% of our suppliers being local entities. This strategic approach not only strengthens our ties with the local community but also contributes significantly to the region's economic growth and sustainability. By prioritising local suppliers, we uphold our dedication to supporting nearby businesses, fostering collaboration, and reducing carbon emissions associated with transportation. This high percentage underscores our firm belief in the importance of nurturing strong relationships within our supply chain network while promoting regional development and resilience.



SUSTAINABILITY STATEMENT (CONT'D)

Environment Energy Management

KPSCB takes a leading stance in environmental conservation, displaying an unwavering commitment to preserving nature. The company's ethos revolves around prioritizing ecological consciousness in all its undertakings. Each policy implemented by KPSCB is infused with green principles, and every operational procedure is meticulously aligned with the highest standards of sustainability.

By leveraging cutting-edge energy-efficient technologies and innovative waste management strategies, KPSCB is not merely diminishing its environmental footprint but also spearheading a paradigm shift in the industry's approach to sustainability. With precision and diligence, the organization manages its resources, particularly water and energy, to optimise efficiency, thereby setting a precedent that extends throughout its supply chain.

KPSCB's dedication to environmental stewardship permeates its advocacy for recycling initiatives and the utilisation of biodegradable materials, transcending corporate responsibility to become a societal movement. Compliance with environmental regulations isn't merely a formality for KPSCB; it exceeds statutory requirements, serving as a blueprint for exemplary ecological conduct.

By fostering innovation and cultivating strategic partnerships, KPSCB emerges as a pioneer in renewable energy and the burgeoning realm of electric vehicles, signaling a steadfast commitment to emission reduction. This isn't just a corporate strategy; it's a public declaration of KPSCB's resolute dedication to forging a path toward a cleaner, greener planet.

KPSCB's approach serves as a clarion call for collective action in environmental preservation, inspiring peers and partners to elevate their standards. The company's journey transcends mere commitment; it represents a green revolution in the corporate sphere, epitomizing a beacon of hope for a sustainable future actively championed by KPSCB.

Scope 1 GHG Emissions

The table above illustrates the CO2 emissions resulting from petrol usage in both the Manufacturing and Trading sectors for the years 2022 and 2023. These emissions contribute to the companies' overall carbon footprint, highlighting the need for sustainable practices and initiatives to reduce environmental impact.

Key Initiatives for Trading Company:

1. **Transition to Electric Vehicles (EVs):** Investing in electric vehicles for transportation needs can significantly reduce petrol consumption and associated CO2 emissions. Providing incentives for employees to use EVs or implementing a fleet of electric delivery vehicles can make a substantial difference.
2. **Optimisation of Supply Chain:** Streamlining logistics and supply chain operations can lead to fewer miles traveled, thereby reducing petrol usage. Utilising efficient route planning software, consolidating shipments, and implementing just-in-time inventory practices can all contribute to lower emissions.
3. **Promotion of Remote Work:** Encouraging remote work options for employees can reduce the need for daily commutes, resulting in decreased petrol consumption. Utilizing teleconferencing and virtual meeting platforms can help maintain productivity while cutting down on travel-related emissions.

SUSTAINABILITY STATEMENT (CONT'D)

Scope 1 GHG Emissions (Cont'd)

Key Initiatives for Manufacturing Company:

1. **Energy Efficiency Improvements:** Implementing energy-efficient technologies and practices within manufacturing facilities can lead to significant reductions in energy consumption and, consequently, CO₂ emissions. Upgrading to energy-efficient machinery, optimising production processes, and implementing energy management systems can all contribute to lower emissions.
2. **Utilisation of Renewable Energy Sources:** Transitioning to renewable energy sources such as solar, wind, or hydroelectric power can help manufacturing facilities reduce reliance on fossil fuels and decrease their carbon footprint. Installing on-site renewable energy systems or sourcing renewable energy from external providers can both be viable options.
3. **Waste Minimisation and Recycling:** Implementing waste minimisation strategies and promoting recycling initiatives can reduce the environmental impact associated with manufacturing operations. By reducing the amount of waste generated and maximising the reuse and recycling of materials, companies can lower their overall carbon emissions.

By implementing these key initiatives, both trading and manufacturing companies can take significant steps towards reducing their CO₂ emissions and operating in a more environmentally sustainable manner. These efforts not only contribute to mitigating climate change but also demonstrate a commitment to corporate social responsibility and long-term sustainability.

Sector ¹	FYE 2022 Petrol Usage (L)	FYE 2023 Petrol Usage (L)	CO ₂ Emissions (tonnes) in FYE 2022	CO ₂ Emissions (tonnes) in FYE 2023
Manufacturing	9,641.46	10,854.63	22.65	25.51
Trading	134,356.22	127,404.51	315.74	299.40

Scope 2² – GHG Emissions

Scope 2 emissions represent indirect greenhouse gas emissions associated with the purchase of electricity, heat, or steam. For KPSCB, the scope 2 emissions are primarily derived from the energy consumption of its Manufacturing and Trading Divisions. Referring to the provided table:

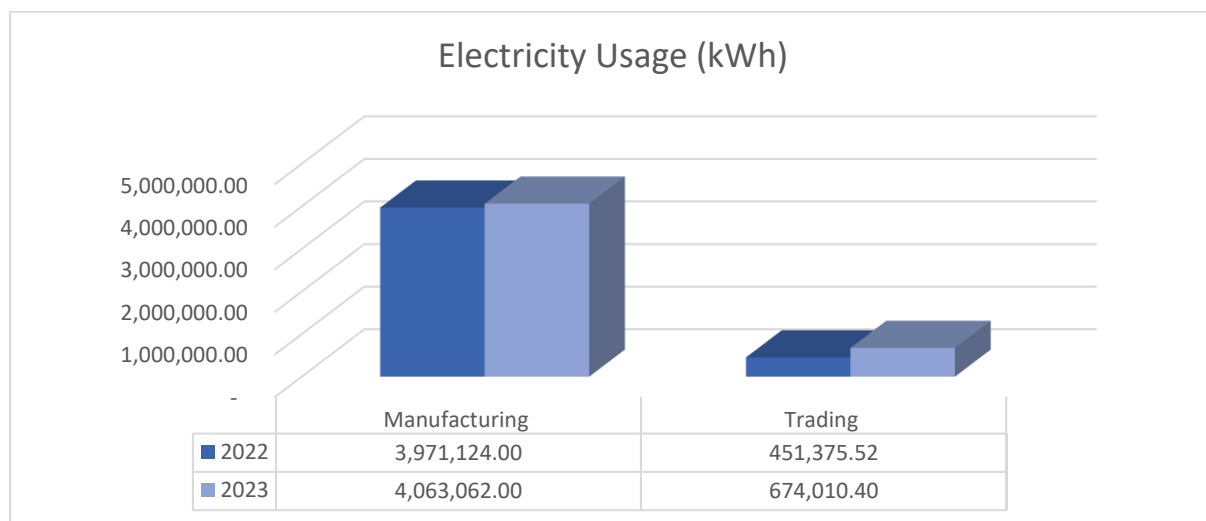
Division	FYE 2022 (ton CO ₂ e)	FYE 2023 (ton CO ₂ e)	Total (ton CO ₂ e)
Manufacturing	2,982.31	3,051.36	6,033.67
Trading	338.98	506.18	845.16
Total Emissions	3,321.29	3,557.54	6,878.83

¹ The emission factor is extracted from Defra and 2.35 kg/co₂ was used to calculate the emission factor.

² The emission factor used is 0.751. Source : www.miea.gov.my

SUSTAINABILITY STATEMENT (CONT'D)

Scope 2 – GHG Emissions (Cont'd)



KPSCB's Scope 2 emissions for the years 2022 and 2023 amount to approximately 3,321.29 ton CO₂e and 3,557.54 ton CO₂e respectively, resulting in a total of about 6,878.83 ton CO₂e over the two-year period.

These emissions signify the environmental impact associated with the electricity consumption of the Manufacturing and Trading Divisions. KPSCB could use this data to track and manage its energy usage more efficiently, potentially identifying opportunities for reducing emissions through strategies such as energy efficiency measures, renewable energy adoption, or operational optimisations. Additionally, understanding Scope 2 emissions aids KPSCB in fulfilling its sustainability commitments and complying with environmental regulations.

1. **Energy Audits:** Conduct regular energy audits to identify areas of high electricity consumption and inefficiencies within the trading facilities. This helps in pinpointing areas for improvement and implementing targeted energy-saving measures.
2. **LED Lighting Upgrade:** Replace traditional lighting fixtures with energy-efficient LED lights throughout the trading facilities. LED lighting consumes significantly less electricity and has a longer lifespan, resulting in reduced energy costs and maintenance expenses.
3. **Smart Energy Management Systems:** Implement smart energy management systems that utilise sensors, controls, and automation to optimise energy usage in real-time. These systems can adjust lighting, heating, ventilation, and air conditioning (HVAC) settings based on occupancy and ambient conditions to minimise energy waste.
4. **Energy-Efficient Equipment:** Invest in energy-efficient office equipment, appliances, and electronics for the trading facilities. ENERGY STAR-rated devices consume less electricity while maintaining performance, contributing to overall energy savings.
5. **Employee Awareness and Training:** Educate employees about the importance of energy conservation and provide training on energy-saving practices. Encourage employees to turn off lights, computers, and other equipment when not in use, and promote a culture of energy efficiency throughout the organization.
6. **Renewable Energy Integration:** Explore opportunities to incorporate renewable energy sources such as solar panels or wind turbines to generate electricity onsite. Generating clean energy locally can offset grid electricity consumption and reduce carbon emissions.

SUSTAINABILITY STATEMENT (CONT'D)

Scope 2² – GHG Emissions (Cont'd)

7. **Power Factor Correction:** Install power factor correction devices to improve the efficiency of electrical systems and reduce energy losses associated with reactive power. Optimising power factor can lead to lower electricity bills and improved equipment performance.
8. **Demand Response Programs:** Participate in demand response programs offered by utility providers. These programs incentivize businesses to reduce electricity usage during peak demand periods in exchange for financial incentives or reduced rates.
9. **Energy Monitoring and Reporting:** Implement energy monitoring systems to track electricity consumption in real-time and generate comprehensive reports on energy usage patterns. Analysing this data helps identify trends, anomalies, and areas for further optimisation.
10. **Continuous Improvement:** Establish a continuous improvement process for energy management, regularly reviewing energy performance metrics, setting energy reduction targets, and implementing corrective actions as needed to achieve ongoing energy savings.

By implementing these initiatives, the Trading Company division of KPSCB can effectively reduce electricity consumption, lower energy costs, and minimise environmental impact while contributing to overall sustainability goals

Scope 3 - Employee Commuting and Business Travelling

Scope 3 emissions typically refer to indirect emissions that occur in the value chain of an organisation, including both upstream and downstream activities not directly owned or controlled by the organisation. One significant category within Scope 3 emissions is employee commuting, which encompasses the emissions generated by employees traveling to and from work using various modes of transportation.

In the provided data, we've quantified the CO₂ emissions resulting from employee commuting, specifically focusing on two modes of transportation: cars and motorcycles. The calculations take into account the total distances traveled by employees over 26 days and 345 days, considering round trips. Using emission factors for each mode of transportation (0.1789 for cars and 0.08319 for motorcycles), we've estimated the corresponding CO₂ emissions in tonnes as listed in the table below:-

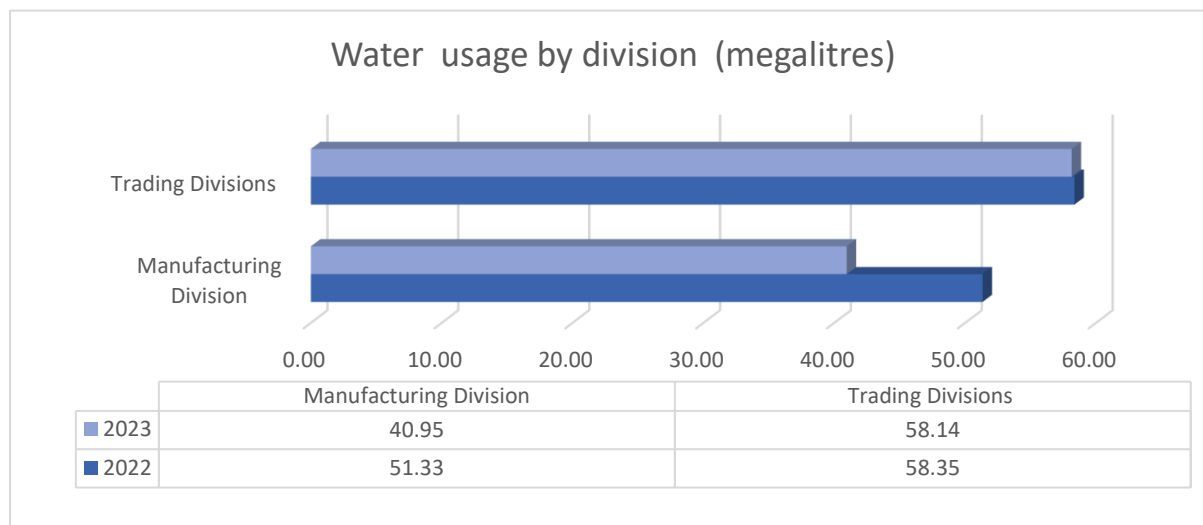
Mode of Transportation	Total Distance (Round Trips, 26 days)	Total Distance (Round Trips, 345 days)	CO ₂ Emissions (26 days) (tonnes)	CO ₂ Emissions (345 days) (tonnes)
Car	4,902.4 km	65,184 km	0.8778	11.6705
Motorcycle	21,478.4 km	285,312 km	1.7862	23.7479

Water Management for All Divisions

Water conservation is a crucial aspect of our sustainability efforts at KPSCB Group. Over the fiscal years 2022 and 2023, we have been dedicated to monitoring and reducing our water usage across our manufacturing and trading divisions to minimise our environmental impact.

SUSTAINABILITY STATEMENT (CONT'D)

Water Management for All Divisions (Cont'd)



Assessment of Water Usage:

In FYE 2022, our manufacturing division consumed 51,325 cubic meters of water, which decreased to 40,953 cubic meters in FYE 2023. This reduction reflects our commitment to implementing water-saving measures and optimising our processes to minimise water wastage. Similarly, our trading divisions also demonstrated a slight decrease in water usage from 58,353 cubic meters in FYE 2022 to 58,135 cubic meters in FYE 2023. Overall, our total scope 2 water usage across divisions decreased from 109,678 cubic meters in FYE 2022 to 99,088 cubic meters in FYE 2023.

Key Initiatives on Water Conservation:

To further enhance our water conservation efforts, KPSCB Group has implemented several key initiatives. Firstly, we have invested in advanced water-saving technologies and equipment across our manufacturing facilities to minimize water consumption during production processes. Additionally, we have conducted comprehensive water audits to identify areas of inefficiency and implement targeted measures to reduce water usage.

Furthermore, we have introduced employee awareness and training programs to promote water conservation practices in the workplace. By educating our workforce on the importance of water conservation and providing them with practical tips for minimising water wastage, we aim to instill a culture of sustainability throughout our organisation.

Moreover, we have actively engaged with suppliers and partners to promote sustainable water management practices throughout our supply chain. By collaborating with stakeholders to identify opportunities for water conservation and sharing best practices, we strive to collectively reduce our environmental footprint and contribute to the conservation of water resources.

As we reflect on our water usage data and ongoing initiatives, we are proud of the progress we have made in reducing our environmental impact through water conservation. Moving forward, we remain committed to continuously improving our water management practices, implementing innovative solutions, and fostering a culture of sustainability across our organisation. By working together towards our water conservation goals, we can contribute to a more sustainable future for generations to come.

SUSTAINABILITY STATEMENT (CONT'D)

Key Initiatives on Water Conservation: (Cont'd)

Division	FYE 2022 (m3)	FYE 2023 (m3)
Manufacturing Division	51,325	40,953
Trading Divisions	58,353	58,135
Total Water usage	109,678	99,088

Air Emission

Environmental Compliance at Paragon Paper & Plywood Sdn Bhd, ("PPP") Chemor, Perak:³

PPP in Chemor, Perak, is committed to operating in an environmentally responsible manner while producing high-quality paper products. As part of this commitment, the company rigorously monitors its air emissions to ensure compliance with regulatory standards and minimise its environmental footprint.

The recent analysis of air emission data for Boiler No.2 (PK PMD80349) at PPP reveals encouraging results. The data indicates that the mill's operations are well within the limits set by EQCAR 2014 for various pollutants, including total particulate matter, oxides of nitrogen, sulphur dioxide, and carbon monoxide. Additionally, the emission rate of pollutants from the boiler remains at acceptable levels, demonstrating the company's dedication to maintaining air quality standards.

Furthermore, PPP recognises the importance of reducing its carbon footprint and continuously seeks opportunities to optimise combustion processes and enhance energy efficiency.

By investing in advanced technologies and implementing best practices, the company strives to minimise its environmental impact while meeting the growing demand for sustainable paper products.

In conclusion, PPP's proactive approach to environmental stewardship and commitment to regulatory compliance underscores its role as a responsible corporate citizen. Through ongoing monitoring, innovation, and collaboration with stakeholders, the mill remains steadfast in its efforts to achieve environmental sustainability and contribute positively to the community and the planet.

Diversity, Inclusion and Equality

KPSCB upholds fair employment practices, emphasising equal opportunities, diversity, and inclusivity. They adhere to anti-discrimination policies, ensure equitable treatment regardless of age, gender, or ethnicity, and prohibit harassment, including sexual harassment. The company complies with minimum wage regulations and prohibits child labor. Employees are provided with competitive remuneration packages and benefits to support their well-being. KPSCB invests in employee development and safety measures, evident from the absence of reported injuries in the previous financial year. These initiatives cultivate a positive workplace culture that fosters loyalty, motivation, and productivity among employees.

³ Air emission monitoring report & dark smoke observation report for boiler chimney stack
Date of monitoring: 14th November 2023, I-chem solution Sdn Bhd

SUSTAINABILITY STATEMENT (CONT'D)

Workforce by Gender

In FYE 2022, KPSCB employed a total of 258 individuals, with 168 (65.12%) being male and 90 (34.88%) female. By FYE 2023, the total workforce increased to 273, with 192 (70.33%) male employees and 81 (29.67%) female employees. This is due to in FYE 2023 male workers are required to fulfil requirements of manufacturing conditions which require male workforce. Despite a slight decrease in the percentage of female employees from FYE 2022 to FYE 2023, the overall workforce saw growth, indicating the company's continued expansion and commitment to diversity and inclusion. While there's still room for improvement in achieving gender balance, KPSCB's efforts to maintain a diverse workforce are evident in its hiring practices.

Gender	FYE 2022		FYE 2023	
	Total Number	Percentage	Total Number	Percentage
Male	168	65.12%	192	70.33%
Female	90	34.88%	81	29.67%
Total	258	100.00%	273	100.00%

	Board of Director Male (%)	Board of Director Female (%)
FYE 2022	80%	20%
FYE 2023	80%	20%

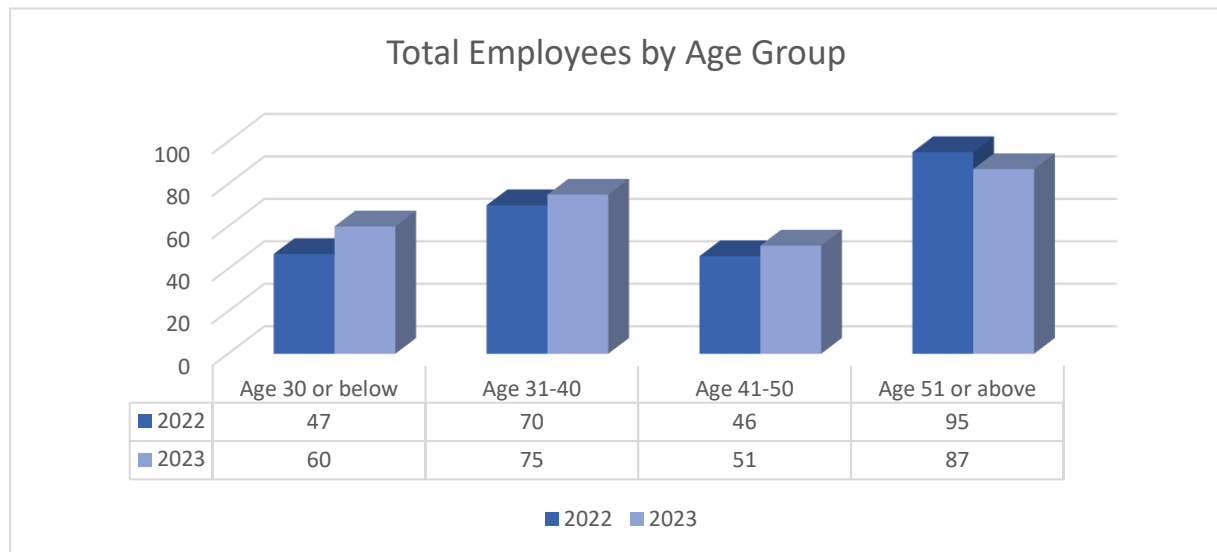
Workforce by Age Group

In FYE 2022, KPSCB's workforce comprised individuals across various age groups, with 36.82% aged 51 or above, 17.83% aged 41-50, 27.13% aged between 31-40 and 18.22% aged 30 or below. By FYE 2023, while there was a slight decrease in the percentage of employees aged 51 or above to 31.87%, there was an increase in the percentage of employees aged 30 or below, rising from 18.22% to 21.98%. The percentages of employees in the age groups of 31-40 and 41-50 remained relatively stable. This data suggests that KPSCB's workforce is diverse in terms of age, with a mix of experienced professionals and younger talent, indicating a balanced approach to talent acquisition and retention across different age demographics.

	FYE 2022		FYE 2023	
Age	Total Number	Percentage	Total Number	Percentage
30 or below	47	18.22%	60	21.98%
31-40	70	27.13%	75	27.47%
41-50	46	17.83%	51	18.68%
51 or above	95	36.82%	87	31.87%

SUSTAINABILITY STATEMENT (CONT'D)

Workforce by Age Group (Cont'd)



The proportion of employees aged 51 and above is 31.87% of the total workforce. From a social responsibility standpoint, employing older workers can also be viewed as supporting age diversity and addressing issues related to ageism in the workplace. Furthermore, retaining experienced employees can contribute to reducing employee turnover and the associated costs, which aligns with governance principles that emphasize the importance of effective management and cost control.

Their maturity, judgment, and critical thinking abilities can also positively influence the workplace culture, contributing to a more stable and harmonious work environment. Additionally, older workers tend to exhibit a strong work ethic and dedication to their job, which can lead to increased productivity and high-quality output. Overall, a workforce comprised of older employees can be a significant asset to any organisation.

	Board of Director 30 or below (%)	Board of Director 31 - 50 (%)	Board of Director 51 or above (%)
FYE 2022	-	40%	60%
FYE 2023	-	40%	60%

Workforce by Employment Category

In FYE 2022, KPSCB's employment landscape consisted of 220 general staff, 31 middle management positions, and 7 senior management roles. However, by FYE 2023, the number of general staff increased slightly to 241, while both middle management and senior management positions saw reductions to 25 and 7, respectively. Despite these changes, the distribution of employment types remained relatively consistent over the two years.

Analysing gender representation within these employment categories, males dominated the general staff and middle management roles, constituting 72% and 44%, respectively, in FYE 2023. Females, on the other hand, were notably underrepresented in middle management positions, accounting for only 56%. In senior management roles, there was a significant gender gap, with males occupying 100% of positions compared to females at 0%.

SUSTAINABILITY STATEMENT (CONT'D)

Workforce by Employment Category (Cont'd)

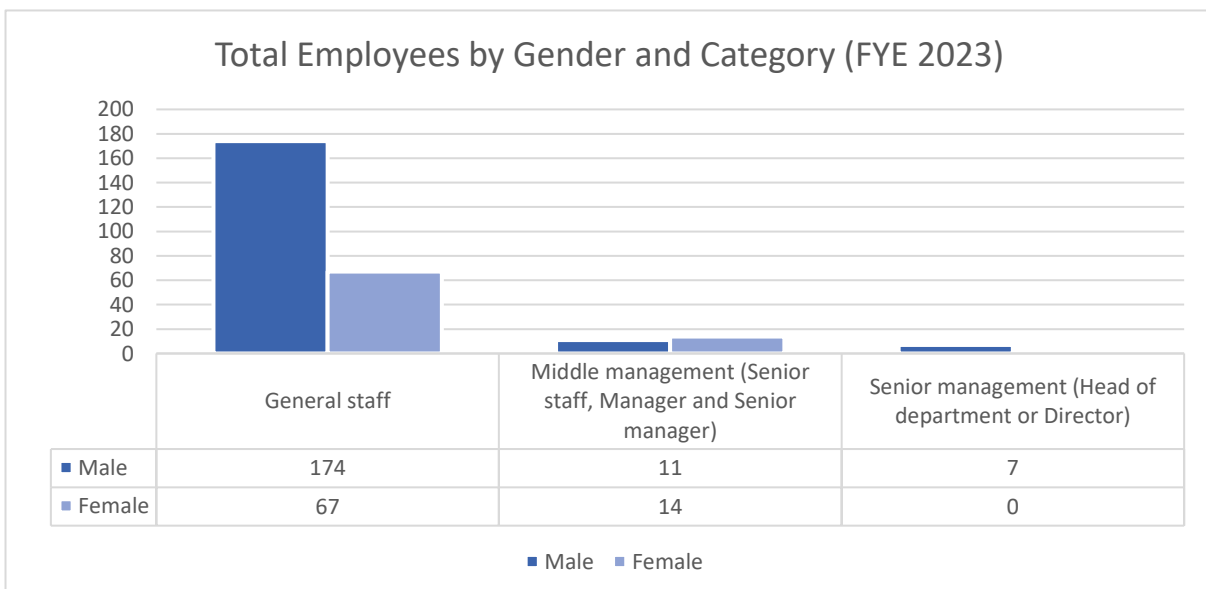
These findings highlight potential areas for improvement in gender diversity, particularly in middle and senior management positions. Addressing these disparities can lead to a more inclusive and equitable workplace environment, fostering diverse perspectives and contributing to the company's overall success and growth.

Employment Type	FYE 2022	FYE 2023
General staff	220	241
Middle management (Senior staff, manager and Senior manager)	31	25
Senior management (Head of department or director)	7	7

	Male (%)	Female (%)
General staff	72%	28%
Middle management (Senior staff, manager and Senior manager)	44%	56%
Senior management (Head of department or director)	100%	0%

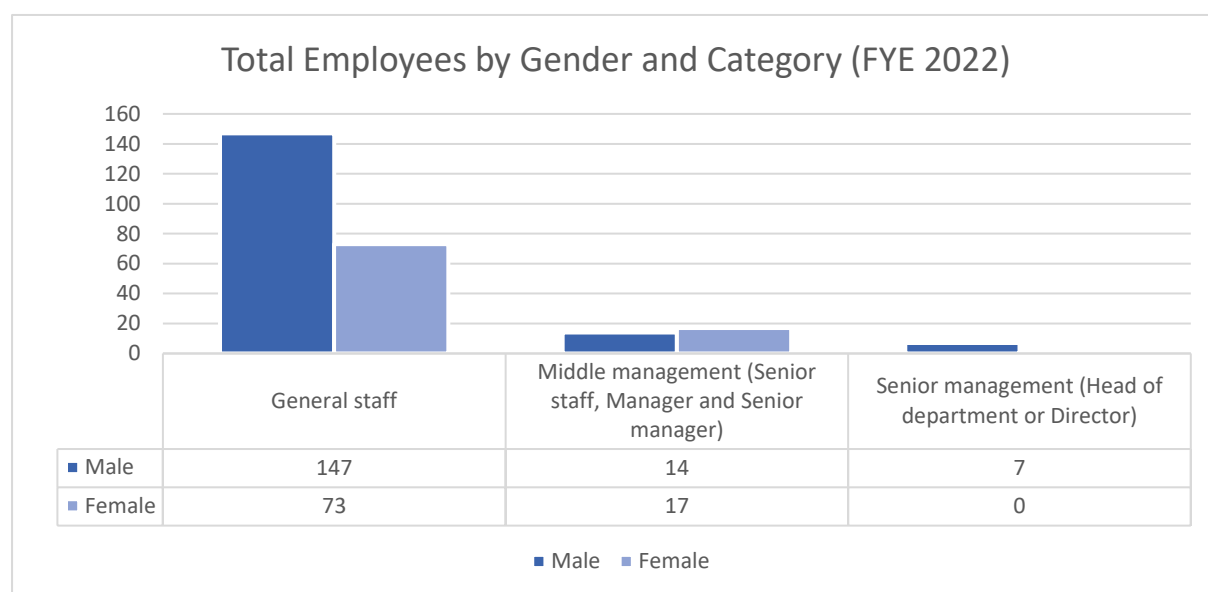
Age	General staff	Middle management (Senior staff, manager and Senior manager)	Senior management (Head of department or director)
30 or below	23.85%	16.67%	0%
31 – 40	26.35%	20.83%	15.38%
41 – 50	18.83%	41.67%	30.77%
51 or above	30.97%	20.83%	53.85%

The Group is dedicated to promoting gender diversity and inclusion while recognising the distinct job requirements of its production sites, which involve significant physical demands. While the Group is actively seeking to recruit and hire more female employees, achieving an equal gender balance may be challenging due to these requirements. However, the Group is committed to enhancing diversity and inclusivity that provides equal opportunities for both genders, including fair pay and career development. In the near future, the Group will take further steps to ensure that all employees are provided with equal opportunities and are supported in their career advancement.



SUSTAINABILITY STATEMENT (CONT'D)

Workforce by Employment Category (Cont'd)



Percentage of Employees that are Contractors or Temporary Staff

Percentage (%)		
	FYE 2022	FYE 2023
Contractors	-	-
Temporary staff	-	-

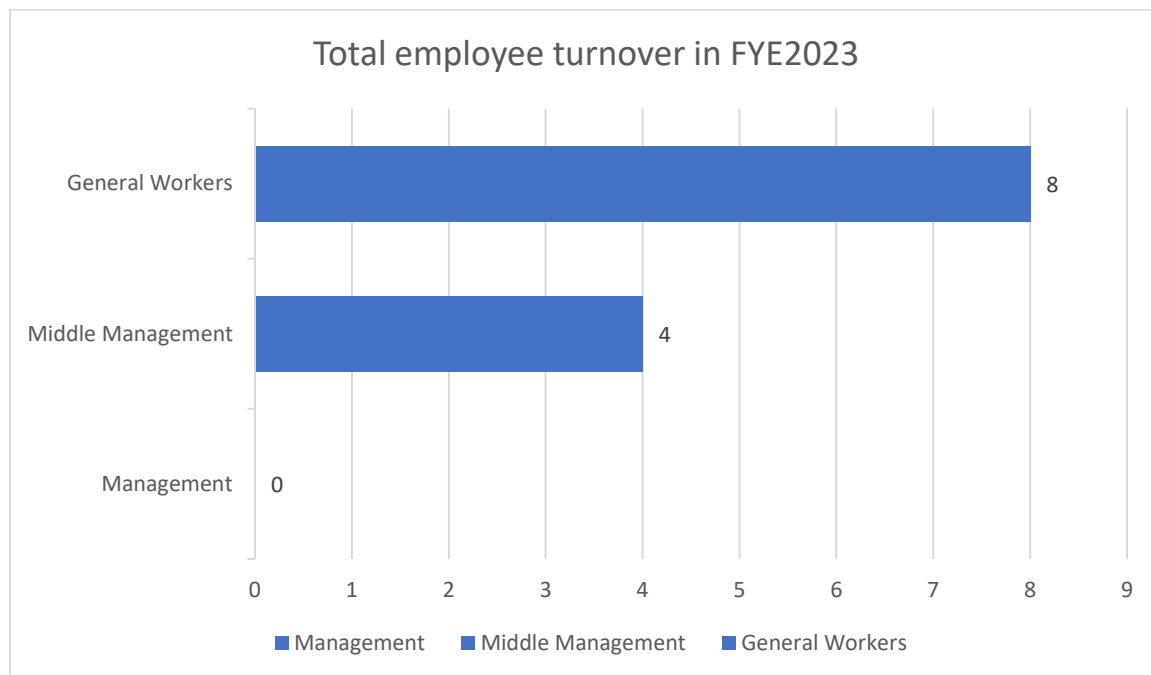
Employee Turnover

The senior management team comprises less than 3% of the total workforce, while 9% of employees hold middle management positions. To attract and retain talented individuals, the Group is considering offering opportunities for professional advancement, such as mentorship programs, training sessions, and leadership development programs, along with competitive compensation, flexible work arrangements, and a supportive work environment.

As compared to prior year, the loss of employees by age group has greatly reduced from 58 staff to merely 7 staff. The Group's commitment to prioritising employee well-being, development, diversity, inclusion, and participation has resulted in the retention of its talented workforce. The Group strives to continuously enhance its staff through ongoing efforts.

SUSTAINABILITY STATEMENT (CONT'D)

Employee Turnover (Cont'd)



Training

As at the year ended 31 December 2022, the total training hours for both genders amounted to 256 hours, reflecting a significant increase from the previous year's 56 hours. This increase underscores the Group's dedication to providing employees with opportunities for skill enhancement, benefiting them in their current roles and preparing them for future career advancement. In FYE 2023, general employees received 178 training hours, while middle management employees received 73 training hours and the management employees received 4 hours of training, further demonstrating the Group's commitment to equitable development opportunities for all employees.

	Training Hours	
	FYE 2022	FYE 2023
General staff	256	178
Middle management (Senior staff, manager and Senior manager)	0	73
Senior management (Head of department or director)	0	4

Health And Safety

At KPSCB Group, the well-being and safety of our workforce are paramount values that underpin our operations. Over the fiscal years 2022 and 2023, we have remained steadfast in our commitment to health and safety, continuously striving to enhance our practices and protocols to ensure the protection of our employees.

SUSTAINABILITY STATEMENT (CONT'D)

Health And Safety (Cont'd)

In FYE 2022, KPSCB Group regrettably experienced one work-related fatality at our manufacturing division, serving as a poignant reminder of the critical importance of maintaining stringent safety standards. Additionally, there were 16 lost days due to work injuries, highlighting areas where we needed to strengthen our preventive measures and response protocols. Despite these challenges, the trading division recorded no injury accidents, showcasing the effectiveness of their safety procedures and serving as a benchmark for improvement across the organisation. Despite the setback in the manufacturing division, our commitment to safety training remained unwavering, with 10 members of our workforce undergoing comprehensive safety and health training programs.

In FYE 2023, there was a troubling increase in work-related fatalities, with two incidents occurring at our manufacturing division. This underscored the urgent need for continuous evaluation of our safety measures and the implementation of additional safeguards to mitigate risks. However, there was a significant improvement in the number of lost days due to work injuries, decreasing to just four days compared to the previous year. This reduction reflects our efforts to enhance incident response protocols and bolster preventive measures. Notably, the trading division maintained its exemplary safety record, with no injury accidents reported. While safety training efforts continued, with a decreased number of employees undergoing training, the focus remained on reinforcing safety protocols and fostering a culture of safety across all divisions.

As we assess the health and safety performance of KPSCB Group over the past two fiscal years, it's evident that while progress has been made, there are areas where improvement is needed, particularly within the manufacturing division. We are unwavering in our dedication to prioritising the well-being of our employees and will continue to invest in robust safety protocols, comprehensive training initiatives, and a culture of accountability. By learning from past experiences and working together, we are confident that we can create a safer and healthier work environment for all members of the KPSCB family.

HEALTH AND SAFETY	FYE 2022	FYE 2023
No. of work-related fatality at work sites	1	0

HEALTH AND SAFETY	FYE 2022	FYE 2023
No. of lost time incident rate	16	0

HEALTH AND SAFETY	FYE 2022	FYE 2023
No. of workforce undergoing safety and health training	10	1

HEALTH AND SAFETY	FYE 2022	FYE 2023
No. of substantiated complaints concerning human rights violations	0	0

SUSTAINABILITY STATEMENT (CONT'D)

Community/Society

KPSCB is proud to extend its support to the charity Beautiful Gate for the Disabled, demonstrating our commitment to making a positive difference in the lives of individuals with disabilities. Through our partnership, we aim to promote inclusivity, empowerment, and social engagement for people of all abilities. By supporting Beautiful Date, we contribute to creating meaningful connections and fostering a more inclusive society where everyone has the opportunity to thrive. Together, we strive to spread joy, build strong communities, and make the world a more beautiful place for individuals with disabilities.



Through our partnership, we aim to promote inclusivity, empowerment, and social engagement for people of all abilities. Beautiful Date serves approximately 30 disabled children, and with KPSCB's contribution of about RM5,000 towards the Chinese New Year event, we're able to create memorable experiences and spread joy to these children and their families.

SUSTAINABILITY STATEMENT (CONT'D)

Performance Data Table (Bursa ESG Reporting Platform)

Indicator	Measurement Unit	2023
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	100
Executive	Percentage	100
Non-executive/Technical Staff	Percentage	100
General Workers	Percentage	100
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	5,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	30
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 30	Percentage	0
Management Between 30-50	Percentage	46.15
Management Above 50	Percentage	53.85
Executive Under 30	Percentage	16.67
Executive Between 30-50	Percentage	62.50
Executive Above 50	Percentage	20.83
Non-executive/Technical Staff Under 30	Percentage	0.00
Non-executive/Technical Staff Between 30-50	Percentage	0.00
Non-executive/Technical Staff Above 50	Percentage	0.00
General Workers Under 30	Percentage	23.85
General Workers Between 30-50	Percentage	45.19
General Workers Above 50	Percentage	30.96
Gender Group by Employee Category		
Management Male	Percentage	100.00
Management Female	Percentage	0.00
Executive Male	Percentage	44.00
Executive Female	Percentage	56.00
Non-executive/Technical Staff Male	Percentage	0.00
Non-executive/Technical Staff Female	Percentage	0.00
General Workers Male	Percentage	72.00
General Workers Female	Percentage	28.00
Bursa C3(b) Percentage of directors by gender and age group		

SUSTAINABILITY STATEMENT (CONT'D)

Performance Data Table (Bursa ESG Reporting Platform) (Cont'd)

Indicator	Measurement Unit	2023
Male	Percentage	80.00
Female	Percentage	20.00
Under 30	Percentage	0
Between 30-50	Percentage	40.00
Above 50	Percentage	60.00
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	4,737.07
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0
Bursa C5(c) Number of employees trained on health and safety standards	Number	1
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	4
Executive	Hours	73
Non-executive/Technical Staff	Hours	0
General Workers	Hours	178
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	0
Executive	Number	4
Non-executive/Technical Staff	Number	0
General Workers	Number	8
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	99.53
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	109.68
(*) Restated		

SUSTAINABILITY STATEMENT (CONT'D)



IA Essential Sdn Bhd (548107D)
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Taman Segar,
56100 Kuala Lumpur,
Malaysia

Tel: +603 9131 9188/ 89
www.iae-world.com

24 April 2024

KPS Consortium Berhad
3, Jalan BK1/10
Bandar Kinrara Industrial Centre
47100 Puchong
Selangor Darul Ehsan

Dear Sirs and Madam,

Sustainability Statement Review by Internal Auditor

Item (29), Appendix 9C, Part A on the Contents of Annual Report of the Bursa Main Market Listing Requirements provides that a narrative statement of the listed issuer's management of material economic, environmental, and social risks and opportunities ("Sustainability Statement") to be made in the manner prescribed by the Exchange.

In this respect, the Exchange prescribes the contents of the Sustainability Statement and the common material sustainability matters to be disclosed under Para 6, Part III and Annexure PN9-A of Practice Note 9. Amongst others, Para 6.2(e) of Practice Note 9 provides that a listed issuer must disclose whether the listed issuer has subjected its Sustainability Statement to (i) internal review by its internal auditor or (ii) independent assurance performed in accordance with recognised assurance standards.

For your purposes of disclosure under Para 6.2(e) above, we are writing to confirm that we have reviewed the 2023 Sustainability Statement KPS Consortium Berhad against the prescribed disclosure contents under Practice Note 9.

Yours faithfully,
IA Essential Sdn Bhd

A handwritten signature in black ink, appearing to read 'Chong Kian Soon'.

Chong Kian Soon CPA(M) CAANZ CMIIA
CEO

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KPS Consortium Berhad ("the Company") ("the Board") continues to believe the practice of good corporate governance is important in achieving sustainable growth as well as engenders trust and infuses confidence among its shareholders and stakeholders. The Board remains committed towards governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to the interests of shareholders and stakeholders.

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2023 with reference to the three (3) main principles, i.e. Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the latest Malaysian Code on Corporate Governance ("MCCG" or "Code").

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). The CG Report is announced together with the Annual Report of the Company on 30 April 2024. The Corporate Governance Overview Statement should be read in tandem with the CG Report to provide comprehensive disclosure of the application of each principles and practices set out in the MCCG during the financial year.

The CG Report can be accessed from the Company's website at www.kpsconsortium.com.my. The Board is pleased to provide the following statement, which outlines the main corporate governance that has been in place throughout the financial year.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

• Board Responsibilities

The Company is headed by the Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

Board Responsibilities

The Board takes full responsibility for the performance of the Group. The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:-

- Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- Overseeing the conduct of the Group's business and evaluating if its businesses are being properly managed;
- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- Ensuring that all candidates appointed to senior management positions are of sufficient caliber, including the orderly succession of senior management personnel;
- Overseeing the development and implementation of shareholder communications policy; and
- Reviewing the adequacy and integrity of the Group's internal control and management information systems.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Board Responsibilities (Cont'd)

The roles and responsibilities of the Non-Independent Non-Executive Chairman and Executive Director are distinct, separate and clearly defined with no overlapping roles. The Non-Independent Non-Executive Chairman holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals.

The Non-Independent Non-Executive Chairman is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures. The Board has established three (3) Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed periodically in accordance with the needs of the Company and taking into account the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees' duties and responsibilities.

The Chairman of the Board is not a member of the Audit Committee, Nomination Committee and Remuneration Committee and does not involve in all three (3) Board Committees.

Board Charter

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual Directors and managements; and issues and decisions reserved for the Board.

The Board Charter was last reviewed on 25 April 2024 and is made publicly available on the Company's website at www.kpsconsortium.com.my.

Code of Conduct

The Company's Code of Conduct encompasses transparency, integrity, accountability and corporate social responsibility. The Board, in discharging its duties and responsibilities, is guided by the Code of Conduct.

The Code of Conduct is formulated to enhance the standard of corporate governance and behavior with a view to achieve the following objectives:-

- To establish standard of ethical conduct for directors based on acceptable belief and values that one upholds.
- To uphold the spirit of social responsibility and accountability of the Company in line with the legislations, regulations and guidelines governing it.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Code of Conduct (Cont'd)

The Board is committed to adhering to best practices in corporate governance and observing the highest standards of integrity and behavior in all activities conducted by the Company and the Group, including the interaction with its shareholders, employees, creditors, customers and within the community and environment in which the Company and the Group operate. The Code of Conduct is made publicly available on the Company's website at www.kpsconsortium.com.my in line with Practice 3.1 of the Code.

Whistleblowing Policy

The Board has established its Whistleblowing Policy and encourages employees within the Group to report suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving resources of the Company. The Whistleblowing Policy which was published in the Company's website provides and facilitates a mechanism for any individual to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Whistleblowing Policy can be viewed at the Company's website at www.kpsconsortium.com.my.

Anti-Bribery Policy and Framework

The Company does not endorse to bribery, be it giving or accepting the ill-gotten monies.

The Company has adopted the Anti-Bribery Policy and Framework pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009. All staff have been trained, briefed and acknowledged on the Company's policy of Anti-Bribery. The aforesaid Anti-Bribery Policy can be assessed from the Company's website at www.kpsconsortium.com.my.

Company Secretary

The Board is supported by qualified Company Secretaries, who are members of the Malaysian Institute of Chartered Secretaries and Administrators, to provide sound governance advice, ensure adherence to rules and procedure and facilitate overall compliance with the MMLR.

The Company Secretaries are to ensure to meet statutory compliance with the Companies Act 2016 and MMLR. They constantly update the Board on any regulatory changes. The Company Secretaries also safeguard all statutory books and records of the Company.

The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flows within the Board and Board Committee.

The appointment and removal of Company Secretaries are at the purview of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. It is an ongoing process that the Board reviews the Group's business plan for diversification, to keep the business relevant and sustainable.

In respect of paper converting segment, the Company continuously explores and embrace technology in conserving environment by converting, recycling the waste papers into tissue papers, toiletries and other paper products for good usage. The Company had continuously using a waste water recycling system towards the last quarter of the financial year under review and the recycled water could be reused for soaking used papers for tissue making.

Supply of and Access to Information

The Board is regularly updated on the regulatory changes and reports on financial, operational, corporate, regulatory, business development and audit matters at the quarterly meetings supported with the Board papers or upon specific requests, for decisions to be made on an informed basis to effective discharge of Board's responsibilities.

Good practices have been observed on timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to facilitate the Board for decisions making and to deal with matters arising from such meetings. The Executive Director and/or the Management would furnish comprehensive explanation on pertinent issues. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have accessed to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Upholding Integrity in Financial Reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's financial results to Bursa Malaysia, the annual financial statements of the Group and the Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year then ended.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Responsibilities (Cont'd)**

Upholding Integrity in Financial Reporting (Cont'd)

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2023, the Group has adopted the approved accounting standard and policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016.

- **Board Composition**

At the date of this statement, the Board consists of five (5) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under MMLR, which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be Independent. In the event of any vacancy in the Board resulting in non-compliance with Paragraph 15.02 (1) of the MMLR, the Company must fill the vacancy within three (3) months. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; marketing and operations.

The Independent Non-Executive Directors uphold their independent view objectively to safeguard the interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

Board Independence

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. Although the definition on independence according to MMLR is used, the Board will take pertinent measures to formalise such independence criteria to, inter-alia, their independent decision on any proposal brought up in the Board Meeting for deliberation. The Company does not have a formal policy to limit the tenure of Independent Non-Executive Directors to nine (9) years. The Board also noted the period to comply with the MMLR on the twelve (12) years tenure limit for Independent Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Board Independence (Cont'd)

The Board noted the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to justification and support from the Board before putting to Shareholders on two-tier voting. The Board also noted on the twelve (12) years maximum tenure limit. The Company does not have term limits for both Executive Directors and Independent Directors as the Board believes that continued contribution by Directors provides benefits to the Board and the Group as a whole. The integrity of Independent Directors is not necessarily comprised by the long period of serving.

Foster Commitment of Directors

The Board ordinarily meets at least once every quarter, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. There were five (5) Board meetings for the financial year 2023. Board and Board Committee papers which are prepared by the Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors have sufficient time to peruse for effective discussion and decision-making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Boards' attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by way of minutes of meetings.

Board Meetings

There were five (5) Board meetings held during the financial year ended 31 December 2023, with details of Directors' attendance set out below:-

	Name of Directors	Attendance
(a)	Datuk Chua Hock Gee	5/5
(b)	Lau Fook Meng	5/5
(c)	Hew Chee Hau	5/5
(d)	Cheng Lai Chuan (Appointed on 29 March 2023)	4/4
(e)	Wong See Mei (Appointed on 29 March 2023)	4/4

It is the practice of the Company for the Directors to devote sufficient time and efforts to carry out their responsibilities. All Board members are required to notify the Chairman before accepting any new directorships notwithstanding that MMLR allows a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Nomination Committee

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:-

Chairman	: Cheng Lai Chuan Independent Non-Executive Director
Members	: Hew Chee Hau Independent Non-Executive Director
	: Wong See Mei Independent Non-Executive Director

The Nomination Committee is chaired by an Independent Non-Executive Director and is primarily responsible for assessing the performance and effectiveness of the Directors, the Board and Board Committees on an annual basis. The Nomination Committee would review if there is a need for additional Board members or for replacement. The Nomination Committee may get the source of referral from the panel Board members, senior management or third-party referral to source for the suitable qualified candidates. The Nomination Committee would assess objectively before recommending to the Board for further deliberation. The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the Board. The Board is entitled to the services of the Company Secretary who ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

In assessing and evaluating the suitability of candidates for recommendation to the Board for appointment as well as Directors who are seeking for re-election, the Nomination Committee will consider the criteria set out in the Directors' Fit and Proper Policy including skills, knowledge, expertise and experience, professionalism, integrity, competency, commitment, contribution and performance.

In accordance with the Constitution of the Company, one-third (1/3) of the Directors or, if their number is not three (3) or multiple of three (3), then the number nearest one-third (1/3), shall retire from office at each Annual General Meeting ("AGM") and offer themselves for re-election at AGM. Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

At the forthcoming AGM, Datuk Chua Hock Gee and Mr. Lau Fook Meng will retire by rotation pursuant to Clause 78 of the Company's Constitution. All retiring directors being eligible, offer themselves for re-election.

The evaluation process was carried out through a set of questionnaires which was duly completed by each Nomination Committee Members, in respect to each of the Directors seeking for re-election with reference to Directors' Fit and Proper Policy. The Nomination Committee assessed and is satisfied and made recommendations to the Board for re-election of all the retiring Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- **Board Composition (Cont'd)**

Nomination Committee (Cont'd)

At present, the Board does not have formal policy on gender diversity but acknowledges the recommendation of the MCCG on gender diversity. Nonetheless, the Board support the gender diversity policy and has one (1) female Independent Non-Executive Director in the Board (i.e. 20% woman director). The Board will continue to provide a working environment that is conducive, fair and with equal opportunities within the Group and to commit to zero tolerance of workplace harassment, age, religious, ethnicity, race or gender discrimination.

The Nomination Committee concluded that each Board member is competent and committed in discharging his duties and responsibilities. During the annual assessment exercise, the Directors are given performance evaluation form to complete. In addition, Directors who are members of the Board Committees are given additional performance evaluation sheets for the respective Board Committees to complete. Sufficient time is given to the Directors to complete the forms. All assessments and evaluations carried out by the Nomination Committee were properly documented. The results of the annual assessment on the Board, the Board Committees and individual Directors for the financial year were all satisfactory.

The Directors who are subject to re-election and/or appointment at the next Annual General Meeting shall be assessed by the nomination Committee before recommendation is made to the Board and shareholders for the re-election and/or appointment. Appropriate assessment and recommendation by the Nomination Committee would be based on inter-alia the yearly assessment conducted.

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme, prescribed by Bursa Securities. Directors are encouraged to attend seminars and/or conferences organized by relevant regulatory authorities and professional bodies to keep abreast with latest developments in the market place and new statutory and regulatory requirements. The training needs of each Director would be assessed and proposed by the individual Director. Each Director determines the areas of training that he may require for personal development as a Director or as a member of the Board Committees.

During the financial year ended 31 December 2023, other than Datuk Chua Hock Gee who was unavailable to attend any courses/seminar due to his tight schedule, all the other board members have attended a diverse range of training programmes during the year to enhance their knowledge and skills in specific areas. Details of trainings attended by the Directors during the financial year ended 31 December 2023 are as below:-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- Board Composition (Cont'd)**

Directors' Training (Cont'd)

Name of Directors	Training Programmes
Lau Fook Meng	<ul style="list-style-type: none">• Tax Seminar on Budget 2023• Tax Seminar on Budget 2024• Legal & Corporate Governance• Anti Bribery and Anti-Corruption• Future-Proofing Malaysian Businesses: Navigating Cyber-Threats in the Age of AI & Thriving in a High-Risk Landscape
Hew Chee Hau	<ul style="list-style-type: none">• Seminar Percukaian Kebangsaan 2022 (Bajet 2023)• National Tax Conference 2023
Cheng Lai Chuan	<ul style="list-style-type: none">• Mandatory Accreditation Programme
Wong See Mei	<ul style="list-style-type: none">• Mandatory Accreditation Programme

- Remuneration**

A Remuneration Committee has been established by the Board, comprising exclusively Non-Executive Directors as follows:-

Chairman : Cheng Lai Chuan
Independent Non-Executive Director

Members : Hew Chee Hau
Independent Non-Executive Director

Wong See Mei
Independent Non-Executive Director

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration to attract and retain quality Directors to lead and manage the business of the Group. The Remuneration Committee is entrusted under its term of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by abstaining the Non-Executive Directors concerned from discussion on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

- Remuneration (Cont'd)**

Aggregate remuneration of Directors categorised into appropriate components are as follows:

Listed Issuer	Fees (RM)	Allowance (RM)	Salary (RM)	Bonus (RM)	Benefits-in-Kind (RM)	Other Emoluments [#] (RM)	Total (RM)
Company							
Independent and Non-Executive Director							
Hew Chee Hau	30,000	-	-	-	-	4,500	34,500
Cheng Lai Chuan (Appointed on 29.03.2023)	20,000	-	-	-	-	3,750	23,750
Wong See Mei (Appointed on 29.03.2023)	20,000	-	-	-	-	3,750	23,750
Tan Kong Ang (Resigned on 29.03.2023)	-	-	-	-	-	750	750
Lim Choon Liat (Resigned on 29.03.2023)	-	-	-	-	-	750	750
Subtotal	70,000	-	-	-	-	13,500	83,500
Non-Independent Non-Executive Chairman							
Datuk Chua Hock Gee	36,000	-	-	-	-	-	36,000
Subtotal	36,000	-	-	-	-	-	36,000
Group							
Lau Fook Meng	33,423	-	29,050	-	-	359	62,832
Subtotal	33,423	-	29,050	-	-	359	62,832
Total	139,423	-	29,050	-	-	13,859	182,332

[#] Inclusive of EPF and travelling allowances.

The remuneration of key management personnel for the financial year ended 31 December 2023 are set out below:

Key Management Personnel	Number	Salary/ Fees (RM)	Allowance (RM)	Bonus (RM)	Benefit-in-Kind (RM)	Other Emoluments [#] (RM)	Total (RM)
RM250,001-300,000	-	-	-	-	-	-	-
RM200,001-250,000	-	-	-	-	-	-	-
RM150,001-200,000	1	181,280	-	-	-	26,462	207,742
RM100,001-150,000	2	240,000	-	-	-	30,702	270,702
RM50,000-100,000	1	62,473	-	-	-	359	62,832
RM50,000 and below	-	-	-	-	-	-	-

[#] Inclusive of EPF and travelling allowances.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

- Audit Committee**

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee (“AC”), comprising wholly Independent Non-Executive Directors, with Mr. Hew Chee Hau as the AC Chairman. The composition of the AC, including its roles and responsibilities, are set out in the AC Report of this Annual Report. One of the key responsibilities of the AC in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

- **Audit Committee (Cont'd)**

The terms of reference of AC shall provide for the requirements that the former key audit partner is subject to observe a cooling-off period of at least three (3) years before he or she could be appointed as a member of the AC. The terms of reference can be viewed at the Company's website at www.kpsconsortium.com.my.

As the Board understands its role in upholding the integrity of financial reporting by the Company, it will take steps to revise the AC's terms of reference by formalising a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the AC's approval in writing before such services can be provided by the External Auditors.

In assessing the independence of External Auditors, the AC requires written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Collectively, the AC has a wide range of necessary skills to discharge their duties. All members are financially literate and they understand matters under the purview of the AC including the financial reporting process.

The AC members, particularly the AC Chairman, undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Throughout the year, the Directors received regular updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business and procedures instituted to mitigate such risks.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Report of the AC is set out in later part of this Annual Report.

- **Risk Management and Internal Control Framework**

During the financial year under review, the Board has yet to establish a structured risk management framework to manage business risks, although Management has an informal process to identify and evaluate significant risks faced by the Group. This represents a departure from MCCG which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. The Board is aware of the importance of such a framework and will take measures to formalise one, which is expected to consider the risk appetite of various companies in the Group as well as the Group itself.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

- **Risk Management and Internal Control Framework (Cont'd)**

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially and with due professional care, in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the AC. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement in this Annual Report.

The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The AC reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions. All audit findings are reported to the AC and areas of improvement and audit recommendations identified are communicated to the Management for further action.

The Statement on Risk Management and Internal Control is set out in later part of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

- **Communication with Stakeholders**

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the AGM and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

AGM, which is the principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. Save for Datuk Chua Hock Gee, all the Board members attended the 37th AGM.

The Group embrace the technology advancement by issuing electronic Annual Report which is towards environmental friendly and cost saving. The Annual Report can be downloaded at the Company's website at www.kpsconsortium.com.my.

- **Conduct of General Meetings**

Shareholders are encouraged to attend the AGM and any other general meetings of the Company where shareholders are given the opportunity to raise questions or concerns with regards to the Group as a whole. Such meetings also serve as a platform for shareholders to have direct access to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

- **Conduct of General Meetings (Cont'd)**

The Company at all times dispatched its notices of the AGM and any other general meetings of the shareholders, Annual Report and related circulars to shareholders at least twenty-one (21) days before the AGM and any other general meetings of the shareholders, unless otherwise required by laws, in order to provide sufficient time to shareholders to understand and evaluate the matters involved as well as to make necessary arrangements to attend, participate and vote either in person, by corporate representative, by proxy or by attorney, to exercise their ownership rights on an informed basis during the AGM and any other general meetings of the shareholders. Where special business items are to be transacted, a full explanation is provided in the notice of the AGM and any general meetings of the shareholders or the related circulars to shareholders in order to assist the shareholders' understanding of the matters and the implication of their decision in voting for or against a resolution.

Paragraph 8.29A of the MMLR provides that all resolutions set out in the notice of any general meeting shall be voted by poll where every one share has one vote. It also provides that a scrutineer independent of the polling process shall be appointed to validate the votes cast. The outcome of the AGM and any other general meetings of the shareholders are announced to Bursa Malaysia on the same day the meeting is held.

The Chairman of the AGM and any other general meetings of the shareholders, will invite the shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting a resolution to vote.

- **Compliance Statement**

The Board is satisfied that the Company had applied most of the principles and best practices of the Code during the financial year. The Board is committed and will continue to enhance compliance with the Code within the Company and the Group.

This Corporate Governance Overview Statement has been approved by the Board of the Company on 25 April 2024.

AUDIT COMMITTEE REPORT

The Board of Directors of KPSCB is pleased to present the report of Audit Committee for the financial year ended 31 December 2023.

The primary objective of the audit committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries (“Group”) and to ensure the adequacy and effectiveness of the Group’s internal control measures.

1. Members

The current members of the Committee and their respective designations are as follows:-

Chairman	: Hew Chee Hau Independent Non-Executive Director
Members	: Cheng Lai Chuan Independent Non-Executive Director
	: Wong See Mei Independent Non-Executive Director

The Audit Committee consists of three (3) members all of whom are Independent Non-Executive Directors. The Company has complied with Paragraph 15.09(1) (b) of the MMLR, which requires the Audit Committee members to be Non-Executive Directors, with a majority of them being Independent Directors.

2. Terms of Reference

The Terms of Reference of the Audit Committee is made publicly available on the Company’s website at www.kpsconsortium.com.my.

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst themselves and shall be composed of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be Independent Directors.

At least one (1) member of the Committee:-

- i. must be a member of the Malaysian Institute of Accountants (“MIA”); or
- ii. if he is not a member of the MIA, he must have at least three (3) years working experience and:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- iii. fulfills such other requirements as prescribed or approved by the Exchange.

No alternate Director shall be appointed as a member of the Committee.

AUDIT COMMITTEE REPORT (CONT'D)

2. Terms of Reference (Cont'd)

Composition (Cont'd)

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

The review of the terms of office and performance of the Audit Committee and each of its members will be carried out by the Nomination Committee annually.

3. Audit Committee Meetings Attendance

The Committee shall meet at least once every quarter and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the External Auditors.

In order to form a quorum, the majority of members present must be Independent Directors.

The Audit Committee had conducted five (5) meetings for the financial year ended 31 December 2023. Details of attendance of the Audit Committee members during this financial period are set out as below:-

Name of Committee Member	No. of meetings attended/ held during member's tenure
Hew Chee Hau	5/5
Cheng Lai Chuan (Appointed on 29.03.2023)	4/4
Wong See Mei (Appointed on 29.03.2023)	4/4

4. Summary of work of the Audit Committee

The work carried out by the Audit Committee during the financial year were summarised as follows:-

- Reviewed the Company's quarterly financial report through discussions with Management before recommending to the Board's consideration and approval.
- Reviewed the annual audited financial statements of the Company prior to submission to the Board for consideration and approval which focused particularly on changes on accounting policy, significant and unusual events/transactions and compliance with applicable approved accounting standards in Malaysia.
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the Annual Report of the Company.
- Reported to the Board on matters discussed and addressed at the Audit Committee meetings.
- Reviewed with the External Auditors, the audit planning memorandum, audit strategy and scope of work for the year.
- Reviewed with the Internal Auditors on their findings and recommendations with respect to system and control weaknesses and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.

AUDIT COMMITTEE REPORT (CONT'D)

4. Summary of work of the Audit Committee (Cont'd)

The work carried out by the Audit Committee during the financial year were summarised as follows:- (Cont'd)

- g) Reviewed the status of compliance of the Company with the Malaysian Code of Corporate Governance, which are within the scope and function of the Audit Committee, for the purpose of disclosure in the Corporate Governance Overview Statement pursuant to the requirement of paragraph 15.25 of the MMLR.
- h) Considered the nomination of external auditors for recommendation to the Board for re-appointment.

5. Internal Audit Function

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the Management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Internal Auditor reports to the Audit Committee four (4) times a year and provide the Audit Committee with independent views on the adequacy, integrity and effectiveness of the system of internal control after its reviews. The Audit Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year.

During the financial year, the internal auditors conducted reviews on the operations of the subsidiaries of the Group focusing on sales, credit control, inventory management, purchasing, production, cash and bank and insurance coverage. Evaluation was meant for some improvements on procedures and thereafter presented their internal audit reports to the Audit Committee. Areas of weakness were identified and communicated to the Audit Committee and the management for improvement.

The Audit Committee had also conducted review of the Internal Auditors' performance and was satisfied with their performance. The key assessment criteria of this review are:-

- (a) Scope of internal audit;
- (b) Competency;
- (c) Resources of the internal audit function;
- (d) Necessary authority to carry out its work;
- (e) Audit independent, to perform with impartiality, proficiency and due to professional care; and
- (f) Engagement with the Audit Committee.

6. Authority

The Committee is authorised by the Board:-

- i. To investigate any matter within its terms of reference;
- ii. To have the resources which required to perform its duties;
- iii. To have full and unrestricted access to any information pertaining to the Company;
- iv. To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- v. To obtain independent professional or other advice; and

AUDIT COMMITTEE REPORT (CONT'D)

6. Authority (cont'd)

- vi. To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

7. Functions

The functions of the Committee are as follows:-

- a) The Committee shall review, appraise and report to the Board on:-
- the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one (1) audit firm is involved;
 - the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;
 - the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;
 - the assistance given by the employees of the Group to the external and internal auditors; and
 - any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;
- c) To consider any question of resignation or dismissal of the external auditors;
- d) To review quarterly reporting and year-end financial statements of the Group before submission to the Board, focusing particularly on:-
- changes in or implementation of major accounting policy;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- e) To review the following in respect of internal audit function:-
- adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
 - internal audit programmes;
 - the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;
 - appraisal or assessments of the performance of the senior staff of the Internal Audit Department;

AUDIT COMMITTEE REPORT (CONT'D)

7. Functions (cont'd)

- approval of any appointment or termination of senior staff member of the Internal Audit Department; and
 - resignation of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation.
- f) To consider the major findings of internal audit investigations and Management's response;
- g) To recommend the nomination and appointment of external auditors as well as the audit fee;
- h) To promptly report any matters resulting in breach of MMLR to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Malaysia; and
- i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2023. The disclosure in this Statement is presented pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”) and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD’S RESPONSIBILITIES

The Board acknowledges its overall risk management responsibilities, understands the principal risks of the five business segments, i.e. building materials trading, paper converting, paper milling, property development & construction and investment and management that the Group involves, and accepts that all business ventures require the incurrence and balancing of risk and return to generate reasonable returns to the shareholders.

In its role of overseeing the effectiveness of the systems of risk management and internal control, the Board, together with the Audit Committee (“AC”) diligently and comprehensively applies and uses the following processes and information during the financial year to derive its comfort on these systems:

- The Group Management review of the financial results and forecasts for business units and formulation of action plans for operational and financial performance improvement;
- The AC’s review the integrity of the interim financial results, annual report and audited financial statements in consultation with Management;
- The Board and AC deliberation on the External Audit Memorandum on the annual audit findings and risk and control issues noted by them during their statutory audit;
- The Internal Audit function assesses the governance practices, risk management and internal control systems of the Group; and
- Management assurance that the Group’s risk management and internal control systems have been in place and operating adequately at all time.

RISK MANAGEMENT

The Board defined its group risk management policy. The Group’s risk management continues to be driven by the Executive Director and assisted by respective Branch Managers, Senior Managements and Directors of Subsidiaries. The Executive Director, Branch Managers, Senior Managements and Directors of Subsidiaries are responsible for identifying, evaluating, monitoring and managing significant risks appropriately and timely and assuring the Board that the Group’s risk management and internal control systems are adequate and effective.

In 2023, the Group registered growth in all segments due to the Malaysian economy’s continued growth. In line with the Group’s long-term plans to continuously optimising its operational cost and efficiency, the Group has:

- Progressively monitoring its overheads and striving to enhance its existing manufacturing lines to improve the manufacturing capabilities and efficiency; and
- Continue undertaking stringent cost control measures for its existing business to improve the Group’s profitability levels.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROLS

In addition to the risk management processes, the Group has implemented various control frameworks and procedures to ensure effective risk detection, prevention, mitigation, and “check and balance”. In summary, these key control frameworks and procedures are as follows:

- Delegation and separation of responsibilities between the Board and Management, the establishment of Board Committees, and the presence of independent directors to oversee the financial, compliance, and operational performance of the Management;
- The organisational structure with the defined lines of responsibility, hierarchical structure covering the respective subsidiaries;
- Payment approval for all the purchases in respective branches is subject to the approval of the Director in the head quarter;
- An internal audit function to assist the AC and the Board in conducting an independent assessment of the governance practices and internal control systems;
- The establishment and implementation of the Anti-Bribery and Anti-Corruption (“ABAC”) Policy, Code of Ethics (for Directors and Employees) and Whistleblowing Policy.

During the financial year, the Internal Auditors conducted an anti-corruption review. This review complied with the provision of Para 15.29(1)(b) of MMLR for reviewing and assessing the anti-corruption and bribery preventive measures at least once every three years. In this review, the Internal Auditors evaluated the Company’s anti-corruption and bribery preventive policies and procedures against the Guidelines of Adequate Procedures issued by the authority. The recommendations identified in this review were tabled to the AC in May 2023.

INTERNAL AUDIT FUNCTION

Paragraph 15.27 of MMLR provides that a listed issuer must establish an internal audit function independent of the activities it audits and ensure it reports directly to the AC.

The Company has outsourced its internal audit function to an internal audit consulting firm. The primary responsibility of this internal audit function is to assist the Board and the AC in reviewing and assessing the management systems of internal control and to provide recommendations to strengthen these internal control procedures.

The internal audit function is led by a director who is assisted by a manager and audit executives assist. The director in charge is Mr Chong Kian Soon, a member of Chartered Accountants Australia and New Zealand, the Malaysian Institute of Certified Public Accountants and the Institute of Internal Auditors Malaysia, and the team members are accounting graduates.

The Internal Auditors have carried out their work with reference to the principles of the International Professional Practice Framework (“IPPF”) of the Institute of Internal Auditors (“IIA”). These principles include the audit planning, execution, documentation, communication of findings and consultation with key stakeholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (Cont'd)

An Internal Audit Plan will be proposed and presented to the AC for deliberation and approval before internal audit reviews are carried out. The Internal Audit Plan is developed in consultation with the AC, business updates, changes in the compliance landscape and requirements, the audit emphasis of the External Auditor, the audit universe in the Group and past internal audit findings. Subsequent changes to the approved Internal Audit Plan will be discussed with the AC, and its approval will be obtained prior to the commencement of the audit.

The Internal Auditors report and present the Internal Audit reports to the AC periodically. These reports contained the conclusion of control status, an overview of management performance, audit findings, management actions for improvement and target completion dates. In addition, internal auditors conduct follow-up audits to ascertain the status of management actions.

The costs incurred for the Internal Audit function in respect of the FYE 2023 were about RM96,000.

During the FYE 2023, the Internal Auditors attended four (4) AC meetings. The summary of work conducted and reported by the Internal Auditors is as follows:

- i. Assessed the adequacy of the anti-corruption and bribery preventive measures;
- ii. Prepared and presented an Internal Audit Plan to the AC for consideration and approval; and
- iii. Evaluated the adequacy and effectiveness of management control procedures in Akateak Sdn. Bhd. I'kranji Industries Sdn. Bhd. and Hai Ming Development Sdn. Bhd.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Bursa Securities Guidelines, Management is responsible for identifying risks, implementing and maintaining sound systems of risk management and internal control, and monitoring and reporting to the Board the significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objectives and performance.

In producing this Statement, the Board has received assurance from Executive Director that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects to the best of their knowledge.

BOARD ASSURANCE AND LIMITATION

The Board is satisfied that the Group's existing risk management and internal control systems are adequate and effective in enabling the Group to achieve its business objectives. The Board has also received assurance from the Executive Director that the Group's risk management and internal control systems are adequate and effective in all material respects to the best of his knowledge. The Board did not note any significant control weaknesses for the financial year under review.

Nonetheless, the Board wishes to reiterate that due to the limitations inherent in any internal control and risk management systems, such systems could only manage and mitigate risk within tolerable levels instead of eliminating every possible risk the Group encountered. Therefore, these systems can only provide reasonable but not absolute assurance against the possibility of material error, misstatement, fraud, or loss.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3 (“AAPG3”) issued by the Malaysia Institute of Accountants.

The External Auditors reported to the Board that nothing has come to their attention that was inconsistent with their understanding of the process adopted by the Board and Management in reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement is made in accordance with the approval of the Board.

ADDITIONAL COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following additional information is provided:-

- **Utilisation of Private Placement Proceeds**

On 6 June 2023, the Company has undertaken a private placement of up to 14,782,700 ordinary shares in the Company, representing not more than 10% of its total number of issued shares of which the Company has issued and was fully subscribed 14,782,700 new ordinary shares on 20 June 2023.

The total proceeds raised from this exercise is set out below:-

Description	Proceeds raised (RM'000)	Actual utilisation (RM'000)	Balance unutilised (RM'000)
Repayment of bank borrowings	4,940	4,940	0
Working capital requirements	1,792	0	1,792
Estimated expenses for the Private Placement	68	68	0
TOTAL	6,800	5,008	1,792

- **Audit Fees and Non-Audit Fees**

The amount of audit and non-audit fees incurred for the services rendered by external auditors of the Group for the financial year ended 31 December 2023 were as follows:-

	Company (RM)	Subsidiaries (RM)
Audit fees	68,000	340,000
Non-audit fees	11,900	78,600

- **Material Contracts**

There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

- **Material Litigation**

Details of material litigation during the financial year are disclosed in Note [34] to the financial statements.

- **Recurrent Related Party Transactions of a Revenue Nature**

There was no recurrent related party transaction of a revenue nature during the year.

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2023

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	<u>17,469,619</u>	<u>(86,081)</u>
Attributable to:-		
Owners of the Company	17,466,109	(86,081)
Non-controlling interests	<u>3,510</u>	<u>-</u>
	<u>17,469,619</u>	<u>(86,081)</u>

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The name of the Directors of the Company and its subsidiaries in office during the financial year and during the period commencing from the end of the financial year to the date of this report are as follows:-

Company:-

Datuk Chua Hock Gee*

Lau Fook Meng*

Hew Chee Hau

Cheng Lai Chuan (Appointed on 29 March 2023)

Wong See Mei (Appointed on 29 March 2023)

Tan Kong Ang (Resigned on 29 March 2023)

Lim Choon Liat (Resigned on 29 March 2023)

* Directors of the Company and certain subsidiaries.

Subsidiaries:-

Koh Kok Hoor

Koh Poh Seng

Koh Zi Siew

Low Teck Cheong

Yong Chee Wei

Chuah Kong Wooi (Appointed on 10 October 2023)

Datuk Chua Hock Gee and Lau Fook Meng will retire by rotation in accordance with Clause 78 of the Company's Constitution and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' REMUNERATION

During the financial year, the fees and other benefits received and receivable by the Directors of the Company and its subsidiaries are as follows:-

	Incurring by the Company RM	Incurring by the subsidiaries RM	Group RM
Directors' fees	106,000	33,423	139,423
Salaries and other emoluments	13,500	366,327	379,827
Defined contribution plans	-	40,614	40,614
Social security contribution	-	3,704	3,704
	<u>119,500</u>	<u>444,068</u>	<u>563,568</u>

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION (CONT'D)

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, there is no Director who is in office at the end of the financial year held any direct interest in the shares of the Company and its related corporations.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 14,782,700 new ordinary shares via private placement at an issue price of RM0.46 per ordinary share for a total cash consideration of RM6,800,042 for working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There are no indemnity coverage and insurance premium paid for Directors and Officers of the Company and its subsidiaries during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps (cont'd):-

- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The Auditors, Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

The amount of audit and other fees paid or payable to the Auditors by the Company and its subsidiaries for the financial year ended 31 December 2023 amounted to RM79,900 and RM418,600 respectively. Further details are disclosed in Note 23 to the financial statements.

The Group and the Company have agreed to indemnify the Auditors, Grant Thornton Malaysia PLT to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made arising from this indemnity for the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....)	
DATUK CHUA HOCK GEE)	
)	
)	
)	
)	
)	
)	DIRECTORS
)	
)	
)	
)	
.....)	
LAU FOOK MENG)	

Kuala Lumpur
25 April 2024

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 78 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....
DATUK CHUA HOCK GEE

.....
LAU FOOK MENG

Kuala Lumpur
25 April 2024

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 78 to 146 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
25 April 2024)

.....
LAU FOOK MENG
(MIA NO: CA 1627)

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KPS CONSORTIUM BERHAD

(Incorporated in Malaysia)

Registration No: 198501011364 (143816-V)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KPS Consortium Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 78 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories valuation

The risk - Refer to Note 5 to the financial statements. The Group holds significant amount of inventories which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of its adequacy due to risk of inventories not stated at the lower of cost or market value.

Our response - We tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions. In doing so, we obtained understanding on the ageing profile of inventories, the process for identifying specific problem inventories and historical loss rates.

Allowance for expected credit losses

The risk - Refer to Note 9 to the financial statements. We focused on this area because the Group has material amounts of trade receivables that are past due but not impaired. The key associate risk is the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response - We have obtained an understanding of the Group's control over the trade receivables' collection process, how the Group identifies and assesses the loss allowance of trade receivables and how the Group makes the accounting estimates for loss allowance. We have reviewed the application of the Group's policy for calculating the expected credit losses, considered the ageing of the trade receivables and testing the reliability thereon. In doing so, we have evaluated techniques and methodology applied for the expected credit losses approach and assessed the estimated future cash inflows by examining the historical collection records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.

Goodwill on consolidation

The risk - Refer to Note 8 to the financial statements. The Group holds goodwill on consolidation of RM43,151,039 which has been allocated to its building materials trading business as the cash-generating units. The Group performs an annual impairment assessment for its goodwill. This requires management to estimate the recoverable amount of the cash-generating units and this involves significant assumptions which are inherently judgmental.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Goodwill on consolidation (cont'd)

Our response - We evaluated the model used in determining the value in use of the cash-generating units as well as assessing the discount rate used and challenging the reasonableness of key assumptions based on our knowledge of the business and industry. Besides that, we also compared the actual performance of the cash-generating units to assumptions applied in prior years model, to assess accuracy of management's estimates. We have performed sensitivity analysis on the key assumptions inputted to the model and understood the impact on the overall carrying value of goodwill with the alterations to the key assumptions. We also assessed the adequacy of disclosures in the financial statements.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As at the date of our report, except for the Directors' Report, the remaining other information has not been made available to us for our reading and accordingly we are unable to report in this regard.

However, if after reading the other information when available and we conclude there is a material misstatement therein, we will communicate the same to the Directors of the Company.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements (cont'd)

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF0737)

FOO LEE MENG
(NO: 03069/07/2025(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
25 April 2024

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	64,552,160	67,042,007	-	-
Investment properties	4	55,380,000	55,160,000	-	-
Inventories	5	35,103,410	35,103,410	-	-
Investment in subsidiaries	6	-	-	149,697,331	149,697,331
Amount due from subsidiaries	6	-	-	2,069,255	-
Investment in an associate	7	-	1	-	1
Goodwill on consolidation	8	43,151,039	43,151,039	-	-
Trade receivables	9	944,456	3,892,682	-	-
Deferred tax assets	10	1,993,166	1,993,166	-	-
Total non-current assets		201,124,231	206,342,305	151,766,586	149,697,332
Current assets					
Inventories	5	64,498,108	58,707,978	-	-
Trade receivables	9	168,721,599	216,353,401	-	-
Other receivables	11	5,149,241	6,861,129	-	-
Amount due from subsidiaries	6	-	-	4,969,079	680,725
Tax recoverable		3,006,879	2,854,331	16,636	21,730
Cash and bank balances		97,740,084	72,530,274	397,391	125,769
Total current assets		339,115,911	357,307,113	5,383,106	828,224
TOTAL ASSETS		540,240,142	563,649,418	157,149,692	150,525,556
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	12	160,028,042	153,228,000	160,028,042	153,228,000
Revaluation reserve	13	7,646,454	7,646,454	-	-
Retained earnings/(Accumulated losses)		153,471,346	136,005,237	(3,062,512)	(2,976,431)
		321,145,842	296,879,691	156,965,530	150,251,569
Non-controlling interests		11,971	8,461	-	-
Total equity		321,157,813	296,888,152	156,965,530	150,251,569
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	-	40,792	-	-
Borrowings	15	21,917,564	24,888,935	-	-
Deferred tax liabilities	10	231,000	578,000	-	-
Total non-current liabilities		22,148,564	25,507,727	-	-
Current liabilities					
Trade payables	16	38,811,389	55,530,912	-	-
Other payables	17	24,787,443	34,949,237	184,162	117,634
Contract liabilities	18	6,467,425	6,467,425	-	-
Amount due to a subsidiary	6	-	-	-	156,353
Lease liabilities	14	40,792	53,115	-	-
Borrowings	15	125,018,101	143,582,255	-	-
Tax payable		1,808,615	670,595	-	-
Total current liabilities		196,933,765	241,253,539	184,162	273,987
Total liabilities		219,082,329	266,761,266	184,162	273,987
TOTAL EQUITY AND LIABILITIES		540,240,142	563,649,418	157,149,692	150,525,556

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

		Group		Company	
	<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
Revenue	19	1,079,791,786	943,298,340	260,000	260,000
Cost of sales		<u>(1,038,358,933)</u>	<u>(903,518,117)</u>	-	-
Gross profit		41,432,853	39,780,223	260,000	260,000
Other income	20	7,909,546	4,333,520	1,599	-
Selling and distribution expenses		(9,730,886)	(8,902,589)	-	-
Administrative expenses		(8,580,357)	(9,266,934)	(499,024)	(261,900)
Net impairment loss on non-financial assets		-	-	-	(48,160)
Net impairment gain on financial assets		137,084	399,839	-	-
Other expenses		(3,322,448)	(1,834,195)	-	-
Finance income	21	1,434,229	826,912	197,655	28,982
Finance costs	22	<u>(6,818,186)</u>	<u>(5,504,003)</u>	<u>(4,717)</u>	<u>(9,011)</u>
Profit/(Loss) before tax	23	22,461,835	19,832,773	(44,487)	(30,089)
Tax expense	24	<u>(4,992,216)</u>	<u>(4,003,341)</u>	<u>(41,594)</u>	<u>(38,424)</u>
Profit/(Loss) for the financial year		<u>17,469,619</u>	<u>15,829,432</u>	<u>(86,081)</u>	<u>(68,513)</u>
Other comprehensive income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
- Revaluation of land and buildings		-	5,012,199	-	-
- Tax effect on items that will not be reclassified to profit or loss	24	<u>-</u>	<u>(501,000)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the financial year		<u>-</u>	<u>4,511,199</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>17,469,619</u>	<u>20,340,631</u>	<u>(86,081)</u>	<u>(68,513)</u>
Profit/(Loss) for the financial year attributable to:-					
- Owners of the Company		17,466,109	15,827,603	(86,081)	(68,513)
- Non-controlling interests		<u>3,510</u>	<u>1,829</u>	<u>-</u>	<u>-</u>
		<u>17,469,619</u>	<u>15,829,432</u>	<u>(86,081)</u>	<u>(68,513)</u>
Total comprehensive income/(loss) attributable to:-					
- Owners of the Company		17,466,109	20,338,802	(86,081)	(68,513)
- Non-controlling interests		<u>3,510</u>	<u>1,829</u>	<u>-</u>	<u>-</u>
		<u>17,469,619</u>	<u>20,340,631</u>	<u>(86,081)</u>	<u>(68,513)</u>
Earning per share attributable to owners of the Company (sen):-					
- Basic/Diluted	25	<u>11.29</u>	<u>10.71</u>		

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	←	Non-distributable	→	Distributable		
	Share capital RM	Revaluation reserve RM	Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2022	153,228,000	3,135,255	120,177,634	276,540,889	6,632	276,547,521
Issue of ordinary shares	-	-	15,827,603	15,827,603	1,829	15,829,432
Profit for the financial year	-	4,511,199	-	4,511,199	-	4,511,199
Revaluation during the financial year	-	4,511,199	-	4,511,199	-	4,511,199
Total comprehensive income for the financial year	-	4,511,199	15,827,603	20,338,802	1,829	20,340,631
Balance at 31 December 2022	153,228,000	7,646,454	136,005,237	296,879,691	8,461	296,888,152
Total comprehensive income for the financial year	-	-	17,466,109	17,466,109	3,510	17,469,619
Transaction with owners						
Issue of ordinary shares	6,800,042	-	-	6,800,042	-	6,800,042
Balance at 31 December 2023	160,028,042	7,646,454	153,471,346	321,145,842	11,971	321,157,813
Company						
Balance at 1 January 2022	153,228,000	-	(2,907,918)	150,320,082	-	150,320,082
Total comprehensive loss for the financial year	-	-	(68,513)	(68,513)	-	(68,513)
Balance at 31 December 2022	153,228,000	-	(2,976,431)	150,251,569	-	150,251,569
Total comprehensive loss for the financial year	-	-	(86,081)	(86,081)	-	(86,081)
Issuance of shares pursuant to private placement	6,800,042	-	-	6,800,042	-	6,800,042
Balance at 31 December 2023	160,028,042	-	(3,062,512)	156,965,530	-	156,965,530

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	<u>Note</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
		RM	RM	RM	RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		22,461,835	19,832,773	(44,487)	(30,089)
Adjustments for:-					
Bad debts written off		31,137	36,446	-	-
Depreciation of property, plant and equipment		3,313,463	4,001,084	-	-
Fair value gain on investment properties		(220,000)	(390,000)	-	-
Fair value gain on other investment		-	(920,746)	-	-
Gain on disposal of property, plant and equipment		(977,211)	(22,909)	-	-
Gain on disposal of investment in a subsidiary		(1,443,237)	-	(1,599)	-
Goodwill written off		864,385	-	-	-
Impairment loss on investment in a subsidiary		-	-	-	48,160
Interest expenses		6,818,186	5,504,003	4,717	9,011
Interest income		(1,434,229)	(826,912)	(197,655)	(28,982)
Inventories written down		1,035,754	1,545,907	-	-
Inventories written off		751,003	204,073	-	-
Loss on remeasurement on investment in associate		575,858	-	-	-
Property, plant and equipment written off		64,311	46,700	-	-
Reversal of impairment loss on financial assets		(137,084)	(399,839)	-	-
Reversal of inventories written down		(1,195,922)	(1,124,068)	-	-
Operating profit/(loss) before working capital changes		30,508,249	27,486,512	(239,024)	(1,900)
Changes in working capital:-					
Inventories		(6,380,965)	3,556,705	-	-
Receivables		52,437,018	(26,224,606)	-	-
Payables		(17,290,459)	(4,524,446)	66,528	(19,444)
Bankers' acceptances		(14,881,421)	5,555,461	-	-
Subsidiaries		-	-	(60,000)	15,000
Cash generated from/(used in) operations		44,392,422	5,849,626	(232,496)	(6,344)
Interest received		1,395,074	826,912	-	-
Interest paid		(5,406,805)	(4,085,033)	-	-
Tax refund		1,308,492	166,308	-	-
Tax paid		(5,662,236)	(5,758,123)	(36,500)	(42,000)
Net cash from/(used in) operating activities		36,026,947	(3,000,310)	(268,996)	(48,344)
INVESTING ACTIVITIES					
Acquisition of a subsidiary	6	1,599	-	(600)	-
Proceeds from disposal of property, plant and equipment		1,605,700	25,000	-	-
Proceeds from disposal of other investment		-	11,937,246	-	-
Proceeds from disposal of a subsidiary	6	1	-	2,200	-
Purchase of property, plant and equipment	A	(1,516,416)	(493,517)	-	-
(Advance to)/Repayment from subsidiaries		-	-	(6,292,609)	176,418
Net cash from/(used in) investing activities		90,884	11,468,729	(6,291,009)	176,418

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

<u>Note</u>	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
FINANCING ACTIVITIES				
Interest paid	(1,411,381)	(1,418,970)	(4,717)	(9,011)
Interest received	-	-	197,655	28,982
(Repayment to)/Advances from a substantial shareholder of the Company	(9,589,463)	14,042,339	-	-
Advances from to a Director	-	233,924	-	-
Proceeds from issuance of share capital	6,800,042	-	6,800,042	-
Repayment to a subsidiary	-	-	(161,353)	(45,882)
Repayment of term loans	(4,261,345)	(4,379,918)	-	-
Repayment of multi-option loan	-	(166,595)	-	-
Repayment of lease liabilities	(53,115)	(69,322)	-	-
Net cash (used in)/from financing activities	<u>(8,515,262)</u>	<u>8,241,458</u>	<u>6,831,627</u>	<u>(25,911)</u>
CASH AND CASH EQUIVALENTS				
Net changes	27,602,569	16,709,877	271,622	102,163
Brought forward	<u>70,091,341</u>	<u>53,381,464</u>	<u>125,769</u>	<u>23,606</u>
Carried forward	B <u>97,693,910</u>	<u>70,091,341</u>	<u>397,391</u>	<u>125,769</u>

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM
Total purchase of property, plant and equipment	1,516,416	582,517	-
Less: Acquisition by means of lease liability	<u>-</u>	<u>(89,000)</u>	<u>-</u>
Total cash paid	<u>1,516,416</u>	<u>493,517</u>	<u>-</u>

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	Group		Company
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM
Cash and bank balances	97,740,084	72,530,274	397,391
Bank overdraft	<u>(46,174)</u>	<u>(2,438,933)</u>	<u>-</u>
	<u>97,693,910</u>	<u>70,091,341</u>	<u>397,391</u>

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of the Company are located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and Lot 622, Jalan Lapis Dua, Kampung Sementa, Batu 6, Jalan Kapar, 42200 Klang, Selangor Darul Ehsan respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2023.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention except for investment properties that have been measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of measurement (cont'd)

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for the identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board has overall responsibility for overseeing all significant fair value measurements. The Board regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs

2.4.1 Adoption of new standards/amendments/improvements to MFRSs

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2023.

Initial application of the amendments/improvements to MFRSs did not have material impact on the financial statements of the Group and of the Company, except for disclosed below:

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments change the requirements in MFRS 101 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant' with 'material'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in MFRS 101 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Malaysian Accounting Standards Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in MFRS Practice Statement 2.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

2.4.2 Standards issued but not yet effective

The amended standards that are issued, but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these amended standards, if applicable, when they become effective:-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

The amended standards that are issued, but not yet effective, up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these amended standards, if applicable, when they become effective:- (cont'd)

Effective for financial period beginning on or after 1 January 2024:-

Amendments to MFRS 16*	Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101*	Presentation of Financial Statements: Non-current Liabilities with Covenants
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 107 and MFRS 7	Statement of Cash Flows and Financial Instruments: Disclosures – Supplier Finance Agreements

Effective for financial period beginning on or after 1 January 2025:-

Amendments to MFRS 121*	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
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Deferred to a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Inventor and its Associate or Joint Venture
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* Not applicable to the Group's and the Company's operation.

The initial application of the above applicable amendments to standards are not expected to have material financial impact to the financial statements of the Group and of the Company.

2.5 The use of estimates and judgements

The preparation of financial statements in conformity with MFRSs and IC Interpretations require the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. It also requires the management and Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the management's and Directors' best knowledge of current events and actions, actual results may defer from those estimates.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 The use of estimates and judgements (cont'd)

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised from the period in which the estimate is revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses are outlined below.

Climate-related matters

The long-term consequences of climate changes on financial statements are difficult to predict and require entities to make significant assumptions and develop estimates.

Assumptions used by the Group are subject to uncertainties relating to regulatory changes (eg. green taxes adopted by governments), new environmental commitments made by the Group meet its carbon reduction goals, development of new technologies, depletion of natural resources used to produce telecommunication hardware, etc. Due to these uncertainties, the figures reported in the Group's future financial statements could differ from the estimates established at the time these financial statements were approved.

Useful lives of depreciable assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their useful life. Management estimates the useful lives of the depreciable assets to be within 4 to 60 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2023, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in an adjustment to the Group's assets.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management make assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 The use of estimates and judgements (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

Provision for expected credit losses (“ECLs”) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating, and coverage by collateral.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default rate in the future.

Income taxes/Deferred tax liabilities

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognise, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 The use of estimates and judgements (cont'd)

Fair value of investment properties

The Group carried its investment properties at fair value, with changes in fair value being recognised in the statements of profit and loss. The Group engaged independent valuation specialists and make reference to market evidence of transacted prices for similar properties using comparable prices adjusted for specific market factors such as nature, location and condition of the properties to assess fair value as at the end of the reporting period.

Information about the valuation techniques and inputs used in determining the fair value of investment properties are disclosed in Note 4 to financial statements.

Revenue from contracts with customers

Revenue is recognised when or as the control of the asset is transferred to our customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the stage of completion method. The stage of completion is measured using the input method, which is based on the physical proportion of contract work-to-date over the estimated total contract cost.

Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists. A change in the estimate will directly affect the revenue to be recognised.

Classification of investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 The use of estimates and judgements (cont'd)

Classification of investment properties and owner-occupied properties (cont'd)

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold <u>land</u> RM	Leasehold <u>land</u> RM	<u>Buildings</u> RM	Plant and <u>machinery</u> RM	Motor <u>vehicles</u> RM	Furniture, fittings and office <u>equipment</u> RM	Total RM
Group Cost							
At 1 January 2022	42,464,491	3,556,068	24,777,187	51,035,979	8,958,289	2,431,467	133,223,481
Additions	-	-	-	345,550	178,260	58,707	582,517
Disposals	-	-	-	-	(87,693)	(4,400)	(92,093)
Written off	-	-	-	(120,709)	-	(56,376)	(177,085)
Transfer to investment properties	(4,607,801)	-	-	-	-	-	(4,607,801)
At 31 December 2022	37,856,690	3,556,068	24,777,187	51,260,820	9,048,856	2,429,398	128,929,019
Additions	-	-	-	1,452,396	38,750	25,270	1,516,416
Disposals	-	-	-	(2,025,450)	(43,853)	-	(2,069,303)
Written off	-	-	-	(308,462)	-	(450)	(308,912)
At 31 December 2023	37,856,690	3,556,068	24,777,187	50,379,304	9,043,753	2,454,218	128,067,220
Accumulated depreciation							
At 1 January 2022	-	2,082,740	12,554,596	32,352,841	7,968,803	2,186,023	57,145,003
Charge for the financial year	-	72,891	730,275	2,623,866	506,600	67,452	4,001,084
Disposals	-	-	-	-	(87,692)	(2,310)	(90,002)
Written off	-	-	-	(76,449)	-	(53,936)	(130,385)
At 31 December 2022	-	2,155,631	13,284,871	34,900,258	8,387,711	2,197,229	60,925,700
Charge for the financial year	-	72,891	570,357	2,302,171	313,842	54,202	3,313,463
Disposals	-	-	-	(435,650)	(43,852)	-	(479,502)
Written off	-	-	-	(244,200)	-	(401)	(244,601)
At 31 December 2023	-	2,228,522	13,855,228	36,522,579	8,657,701	2,251,030	63,515,060
Accumulated impairment							
At 1 January 2022/At 31 December 2022	-	-	-	961,312	-	-	961,312
Disposals	-	-	-	(961,312)	-	-	(961,312)
At 31 December 2023	-	-	-	-	-	-	-
Net carrying amount							
At 31 December 2023	37,856,690	1,327,546	10,921,959	13,856,725	386,052	203,188	64,552,160
At 31 December 2022	37,856,690	1,400,437	11,492,316	15,399,250	661,145	232,169	67,042,007

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Recognition and measurement

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leasehold land	22 to 60 years
Buildings	2% - 3.13%
Plant and machinery	7% - 20%
Motor vehicles	7% - 20%
Furniture, fittings and office equipment	10% - 25%

Freehold land is not depreciated but is subject to impairment test if there is indication of impairment.

Assets pledged as securities to financial institutions

The net carrying amount of property, plant and equipment of the Group have been pledged to licensed banks for banking facilities granted to certain subsidiaries are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Freehold land	37,856,690	37,856,690
Leasehold land	1,327,546	1,400,437
Buildings	10,921,959	11,492,316
Plant and machinery	5,650,994	6,712,149
	<u>55,757,189</u>	<u>57,461,592</u>

Plant and machinery subject to operating lease

The Group leases some of its plant and machinery to third parties. All the leases are cancellable within two to three months prior written notice or payment of two to three months fee in lieu of notice.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Transfer to investment properties

In prior year, freehold land was transferred to investment properties because it was no longer used by the Group and these lands were leased to third parties.

Immediately before the transfer, the Group remeasured the properties at fair value and recognised a gain of RM5,012,199 in other comprehensive income. The valuation techniques and significant unobservable input used in measuring the fair value of the freehold land at the date of transfer were the same as those applied to investment properties.

Lease assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as below:-

Group	Leasehold	Motor	
Cost	land	vehicles	Total
	RM	RM	RM
At 1 January 2022	3,556,068	418,643	3,974,711
Additions	-	89,000	89,000
Transfer to property, plant and equipment	-	(149,898)	(149,898)
At 31 December 2022	3,556,068	357,745	3,913,813
Transfer to property, plant and equipment	-	(268,745)	(268,745)
At 31 December 2023	3,556,068	89,000	3,645,068
Accumulated depreciation			
At 1 January 2022	2,082,740	348,041	2,430,781
Charge for the financial year	72,891	54,491	127,382
Transfer to property, plant and equipment	-	(137,525)	(137,525)
At 31 December 2022	2,155,631	265,007	2,420,638
Charge for the financial year	72,891	13,379	86,270
Transfer to property, plant and equipment	-	(268,744)	(268,744)
At 31 December 2023	2,228,522	9,642	2,238,164
Net carrying amount			
At 31 December 2023	1,327,546	79,358	1,406,904
At 31 December 2022	1,400,437	92,738	1,493,175

The above motor vehicles are under lease arrangement.

Leased assets are pledged as security for the related lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

4. INVESTMENT PROPERTIES

	Freehold <u>land</u> RM	<u>Buildings</u> RM	<u>Total</u> RM
Group			
Fair value			
At 1 January 2022	12,020,000	33,130,000	45,150,000
Transfer from property, plant and equipment	9,620,000	-	9,620,000
Fair value gain/(loss)	<u>800,000</u>	<u>(410,000)</u>	<u>390,000</u>
At 31 December 2022	22,440,000	32,720,000	55,160,000
Fair value gain	<u>-</u>	<u>220,000</u>	<u>220,000</u>
At 31 December 2023	<u>22,440,000</u>	<u>32,940,000</u>	<u>55,380,000</u>

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise.

Investment properties under leases

Investment properties comprise of freehold land and buildings that are leased to third parties. The leases contain non-cancellable period of three years and cancellable within three months prior written notice or payment of three months fee in lieu of notice. No contingent rents are charged.

In the prior financial year, freehold land was transferred from property, plant and equipment to investment properties as disclosed in Note 3 to the financial statements, since these properties were no longer used by the Group and leased to third party.

Income and expenses recognised in profit or loss

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Lease income	<u>1,265,904</u>	<u>908,098</u>
Direct operating expenses for investment properties:		
- income generating investment properties	127,641	114,115
- non-income generating investment properties	<u>182</u>	<u>12,173</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

4. INVESTMENT PROPERTIES (CONT'D)

Income and expenses recognised in profit or loss (cont'd)

The operating lease payments to be received are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Within 1 year	1,338,701	939,100
Between 1 and 2 years	183,796	1,020,782
Between 2 and 3 years	-	150,342
	<u>1,522,497</u>	<u>2,110,224</u>
Total undiscounted lease payments	<u>1,522,497</u>	<u>2,110,224</u>

Investment properties pledged as securities to financial institutions

The net carrying amount of investment properties which are pledged to licensed banks for banking facilities granted to subsidiaries are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Freehold land	19,620,000	19,620,000
Buildings	<u>29,830,000</u>	<u>29,810,000</u>
	<u>49,450,000</u>	<u>49,430,000</u>

Strata title yet to issue

The strata title of buildings of subsidiaries with net carrying amount of RM16,200,000 (2022: RM16,200,000) are yet to issue by relevant authorities.

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. As at financial year end, the fair values of the investment properties are based on valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

4. INVESTMENT PROPERTIES (CONT'D)

Fair value basis of investment properties (cont'd)

Fair value measurement of the investment properties were categorised as follows:-

	Group Level 2	
	<u>2023</u> RM	<u>2022</u> RM
Recurring fair value measurement		
Freehold land	22,440,000	22,440,000
Buildings	<u>32,940,000</u>	<u>32,720,000</u>

Level 2 fair value

Level 2 fair value of freehold land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

The most significant input into this valuation approach is price per square feet of comparable properties.

5. INVENTORIES

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Non-current		
Completed properties (Note 5.1)	<u>35,103,410</u>	<u>35,103,410</u>
Current		
Raw materials	13,460,724	7,975,257
Consumables	112,958	84,202
Work-in-progress	830,137	691,013
Finished goods	9,280,328	6,954,639
Trading goods	<u>40,813,961</u>	<u>43,002,867</u>
	<u>64,498,108</u>	<u>58,707,978</u>
	<u>99,601,518</u>	<u>93,811,388</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	994,454,673	872,353,438
Inventories written down	1,035,754	1,545,907
Inventories written off	751,003	204,073
Reversal of inventories written down	<u>(1,195,922)</u>	<u>(1,124,068)</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

5. INVENTORIES (CONT'D)

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

The write-down and reversal are included in cost of sales. The Group writes down its obsolete or slow moving inventories based on assessments of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories.

The reversal of inventories written down was made and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amount.

5.1 Completed properties

One of the wholly-owned subsidiary, Hai Ming Development Sdn. Bhd. (“the subsidiary”) is currently involved in material litigation with third parties as disclosed in Note 34 to the financial statements. This litigation has restricted the subsidiary to conduct any business transactions related to the above completed properties.

6. SUBSIDIARIES

Investment in subsidiaries

	Company	
	<u>2023</u>	<u>2022</u>
	RM	RM
At cost		
Unquoted shares in Malaysia	153,374,652	153,374,652
Less: Accumulated impairment losses	<u>(3,677,321)</u>	<u>(3,677,321)</u>
	<u>149,697,331</u>	<u>149,697,331</u>

Investment in subsidiaries, which are eliminated on consolidation, are stated in the Company’s statement of financial position at cost less any impairment losses.

The movements of accumulated impairment losses are as follows:-

	Company	
	<u>2023</u>	<u>2022</u>
	RM	RM
At 1 January	3,677,321	3,629,161
Impairment loss recognised for the financial year	<u>-</u>	<u>48,160</u>
At 31 December	<u>3,677,321</u>	<u>3,677,321</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

6. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

Impairment of subsidiaries

The Company assesses whether there is any indicator of impairment at the reporting date. If any such indication exists, the management of the Company assesses the recoverable amount of the investment in subsidiaries and an impairment loss is recognised when the recoverable amount of the investment in subsidiaries is less than their carrying amount.

The recoverable amount of the subsidiaries are assessed by reference to the fair value less cost to sell of the underlying assets or value-in-use of the respective subsidiaries.

Estimating a value in use requires significant judgements and estimates about the future results and key assumptions applied to the cash flow projections of the subsidiaries in determining the recoverable amounts. These key assumptions include different forecast growth in future revenue and operating cash flows, as well as determining an appropriate pre-tax discount rate for used for each subsidiary.

Fair value less cost to sell method are within Level 3 of the fair value hierarchy.

In prior financial year, there was impairment loss of RM48,160 recognised in the statement of profit or loss and other comprehensive income of the Company due to the decline of their recoverable amount.

Details of the Level 3 fair value method used in obtaining the recoverable amounts are as follows:-

Valuation method and key inputs	Significant unobservable inputs	Relationship of unobservable inputs and fair value
Adjusted net asset method which derives the fair value of an investee's equity by reference to the fair value of its assets and liabilities	Fair value of individual assets and liabilities	The higher the net assets, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

6. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:-

<u>Name of company</u>	<u>Principal place of business</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>
		<u>2023</u> %	<u>2022</u> %	
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials.
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Involving in general, reinsurance agency, brokerage business and property development.
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading of plywood.
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into related products, marketing of these products and trading in cements and other related products.
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products and carry-on business as money lenders and give guarantees for payment of money.
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	Manufacturing of tissue paper and converting tissue paper into tissue related products.
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	Trading in paper products, stationery and general household products.
I'Kranji Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in printed laminated plywood.
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding.
Modern Steel Sdn. Bhd.	Malaysia	100	100	Trading in steel bar and cement.
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	Trading in tissue, plywood and related products.
Paragon Paper & Plywood Sdn. Bhd.	Malaysia	99.9	99.9	Manufacturing of tissue paper and tissue related products.
Welley Enterprise Sdn. Bhd.	Malaysia	100	100	Distributing and retailing of plywood and related building materials.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

6. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

The Company does not have any subsidiaries which are controlled with less than a majority of voting rights and the Group does not have any material non-controlling interests.

Deemed acquisition of a subsidiary

On 5 January 2023, the Company had acquired 600,000 ordinary shares, representing 60% equity interest in Hai Ming Exsim Development Sdn. Bhd. ("HMED") at a purchase price RM0.001 per ordinary share for a total consideration RM600. The acquisition was completed on 5 January 2023.

Arising from this step acquisition, the Company's shareholding in HMED increased from 40% to 100% and HMDM become a wholly-owned subsidiary of the Company.

The remeasurement to fair value of the Group's existing 40% interest in HMED resulted in a loss and has been recognised in other expense in the profit or loss are summarised as follows:-

	Group 2023 RM
Fair value of previously held stake	(575,857)
Less: Carrying amount of previously - held equity interest	<u>1</u>
Loss on remeasurement of previously - held equity interest	<u>(575,858)</u>

The following summaries the fair value of assets acquired, liabilities assumed and net cash inflows arising from the acquisition of additional interest in HMED:-

	Group 2023 RM
Bank balance	2,199
Trade payable	(500,965)
Other payables	<u>(940,876)</u>
Fair value of net identified liabilities at date of acquisition	(1,439,642)
Goodwill on acquisition	864,385
Cost of investment accounted under equity accounting	(1)
Loss upon remeasurement of previously held equity interest in associate arising from step acquisition	<u>575,858</u>
Purchase consideration	600
Less: Cash and cash equivalents acquired	<u>(2,199)</u>
Net cash inflows on acquisition of equity interest in subsidiary	<u>(1,599)</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

6. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

Goodwill arising from business combination

The acquisition gave rise to a goodwill of RM865,385 and the amount has been written off during the financial year to the statements of profit and loss.

There was no acquisition in the prior financial year.

Disposal of a subsidiary

On 14th September 2023, the Company disposed of its subsidiary, HMED to a major shareholder, Mr Koh Poh Seng for a cash consideration of RM2,200.

The disposal of HMED gave rise to a gain of RM1,599 in the Company's financial statements.

The effect of the disposal of HMED on the financial position of the Group as at the date of disposal was as follows:-

	Group <u>2023</u> RM
Bank balance	2,199
Trade payable	(500,965)
Other payables	<u>(942,271)</u>
Net liabilities at date of disposal	(1,441,037)
Gain on disposal of a subsidiary	<u>1,443,237</u>
Proceeds from disposal	2,200
Less: Cash and cash equivalents disposal	<u>(2,199)</u>
Net cash inflows on disposal of equity interest in a subsidiary	<u><u>1</u></u>

There was no disposal in the prior financial year.

Amount due from/(to) subsidiaries

	Company <u>2023</u> RM	<u>2022</u> RM
<u>Amount due from subsidiaries</u>		
<u>Non-current</u>		
Non-trade balance	<u>2,069,255</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

6. SUBSIDIARIES (CONT'D)

Amount due from/(to) subsidiaries (cont'd)

	Company	
	<u>2023</u>	<u>2022</u>
	RM	RM
<u>Amount due from subsidiaries (cont'd)</u>		
<u>Current</u>		
Trade balance	143,379	118,379
Non-trade balance	4,825,700	562,346
	<u>4,969,079</u>	<u>680,725</u>
	<u>7,038,334</u>	<u>680,725</u>
<u>Amount due from/(to) a subsidiary</u>		
Trade balance	-	5,000
Non-trade balance	-	(161,353)
	<u>-</u>	<u>(156,353)</u>

The amount due from subsidiaries are non-interest bearing, unsecured and repayable on demand, except for an amount of RM6,740,000 (2022: RM550,000) subject to interest rate range from 4.50% to 5.20% (2022: 4.50%) per annum.

In prior financial year, amount due to a subsidiary was non-interest bearing, unsecured and repayable on demand except for amount due to a subsidiary RM196,125 subject to interest rate of 4.50% per annum.

7. ASSOCIATE

Investment in an associate

	Group and Company	
	<u>2023</u>	<u>2022</u>
	RM	RM
At cost		
Unquoted share in Malaysia	<u>-</u>	<u>1</u>

Details of associate are as follows:-

<u>Name of company</u>	<u>Principal place of business</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>
		<u>2023</u>	<u>2022</u>	
		%	%	
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	-	40	Property Development.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

7. ASSOCIATE (CONT'D)

Investment in an associate (cont'd)

Disposal

On 5 January 2023, the Company had acquired 600,000 ordinary shares, representing 60% equity interest in Hai Ming Exsim Development Sdn Bhd. (“HMED”) at a purchase price RM0.001 per ordinary share for a total consideration RM600. The acquisition was completed on 5 January 2023. Arising from this step acquisition, the Company’s shareholding in HMED increased from 40% to 100% and HMDM become a wholly-owned subsidiary of the Company.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:-

	HMED	
	<u>2023</u>	<u>2022</u>
	RM	RM
Financial position as at 31 December		
Current assets		2,199
Current liabilities		<u>(1,441,841)</u>
Net liabilities		<u>(1,439,642)</u>
Financial performance for the financial year ended 31 December		
Total comprehensive loss	<u>(1,395)</u>	<u>(836,761)</u>
Reconciliation of net assets to carrying amount		
Group’s share of net assets and carrying amount in the statement of financial position		<u>(575,857)</u>
Group’s share of results		
Group’s share of total comprehensive income	<u>-</u>	<u>-</u>

Unrecognised share of losses

During the financial year, the Group had not recognise full losses relating to Hai Ming Exsim Development Sdn. Bhd., totaling RM1,395 (2022: RM334,705) and cumulatively RM575,857 in 2022, since the Group has no obligation in respect of these losses.

Contingent liabilities and capital commitments

The associate has no contingent liability and capital commitment to which the Group is exposed nor the Group has any contingent liability and capital commitment in relation to its interest in the associate.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

8. INTANGIBLE ASSET

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Goodwill arising from business combination		
At 1 January	43,151,039	43,151,039
Addition	864,385	-
Written off	<u>(864,385)</u>	<u>-</u>
At 31 December	<u>43,151,039</u>	<u>43,151,039</u>

No impairment loss was required for the goodwill on consolidation as its recoverable values was in excess of their carrying values.

Impairment test for cash-generating units containing goodwill

For the purpose of impairment test, goodwill has been allocated to the Group's CGU, being Akateak Sdn. Bhd. and KPS Plywood Sdn. Bhd., both of which are in the building materials business segment.

As at the end of financial year ended 31 December 2023, the Management has carried out an annual impairment assessment on the CGU.

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-years period. The values assigned to key assumptions is in respect of management's assessment of future trends in the industry.

The key assumptions used for value-in-use calculations are as follows:-

- The cash flows were projected based on expected operating results;
- Revenue was remained constantly for the cash flow projections;
- The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. The average gross margin applied was 3.20% (2022: 2.95%);
- A pre-tax discount rate of 11.14% (2022: 6.45%) was applied in determining the recoverable amount of the unit. The discount rate was estimate based on the weighted average cost of capital plus a reasonable risk premium.

With regard to the assessment of value-in-use of the CGU relating to trading in plywood products, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

9. TRADE RECEIVABLES

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Non-current		
Loan receivables	944,456	3,888,901
Trade receivables	<u>43,550</u>	<u>63,081</u>
	988,006	3,951,982
Less: Allowance for expected credit losses	<u>(43,550)</u>	<u>(59,300)</u>
	<u>944,456</u>	<u>3,892,682</u>
Current		
Loan receivables	2,286,923	3,889,544
Trade receivables	183,167,471	227,551,953
Retention sum	<u>2,750,000</u>	<u>2,605,055</u>
	186,204,394	234,046,552
Less: Allowance for expected credit losses	<u>(17,482,795)</u>	<u>(17,693,151)</u>
	<u>168,721,599</u>	<u>216,353,401</u>
	<u>169,666,055</u>	<u>220,246,083</u>

The movements of allowance for expected credit losses are as follows:-

	<u>Individual impairment</u> RM	<u>Collective impairment</u> RM	<u>Total</u> RM
Group			
At 1 January 2022	13,681,155	4,731,321	18,412,476
Additions	1,460,371	412,393	1,872,764
Reversal	(1,776,448)	(496,155)	(2,272,603)
Written off	<u>(260,186)</u>	<u>-</u>	<u>(260,186)</u>
At 31 December 2022	13,104,892	4,647,559	17,752,451
Additions	1,499,471	-	1,499,471
Reversal	(1,497,968)	(138,587)	(1,636,555)
Written off	<u>(89,022)</u>	<u>-</u>	<u>(89,022)</u>
At 31 December 2023	<u>13,017,373</u>	<u>4,508,972</u>	<u>17,526,345</u>

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

9. TRADE RECEIVABLES (CONT'D)

The credit terms granted by the Group to customers range from cash term to 120 days (2022: cash term to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis. Interest is charged on overdue accounts at the rates ranging from 0.75% to 1.50% (2022: 0.75% to 1.50%) per month.

In prior financial year, included in the Group's trade receivables amounting to RM354,966 was guaranteed by the Company in the event of payment on demand.

The fair value of the collateral at the reporting date is RM7,000,000 (2022:RM9,096,000).

10. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
At 1 January	1,415,166	1,186,834
Recognised in other comprehensive income	-	(501,000)
Recognised in profit or loss	347,000	729,332
	<u>1,762,166</u>	<u>1,415,166</u>
At 31 December	<u>1,762,166</u>	<u>1,415,166</u>
Presented after appropriate offsetting as follows:-		
Deferred tax assets	1,993,166	1,993,166
Deferred tax liabilities	(231,000)	(578,000)
	<u>1,762,166</u>	<u>1,415,166</u>

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Deferred tax assets (before offsetting)	6,610,831	6,364,805
Offsetting	(4,617,665)	(4,371,639)
Deferred tax assets (after offsetting)	<u>1,993,166</u>	<u>1,993,166</u>
Deferred tax liabilities (before offsetting)	(4,848,665)	(4,949,639)
Offsetting	4,617,665	4,371,639
Deferred tax liabilities (after offsetting)	<u>(231,000)</u>	<u>(578,000)</u>
	<u>1,762,166</u>	<u>1,415,166</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows (cont'd):-

Deferred tax assets

Group	Unutilised business losses RM	Unabsorbed capital allowances RM	Allowance for impairment RM	Inventories RM	Total RM
At 1 January 2022	5,280	2,418,075	2,671,095	260,612	5,355,062
Recognised in profit or loss	(1,627)	485,516	108,854	417,000	1,009,743
At 31 December 2022	3,653	2,903,591	2,779,949	677,612	6,364,805
Recognised in profit or loss	474,436	(656,410)	233,000	195,000	246,026
At 31 December 2023	478,089	2,247,181	3,012,949	872,612	6,610,831

Deferred tax liabilities

Group	Property, plant and equipment RM	Real property gains tax on revaluation gain RM	Investment properties RM	Total RM
At 1 January 2022	(3,174,228)	(349,000)	(645,000)	(4,168,228)
Recognised in profit or loss	(233,411)	-	(47,000)	(280,411)
Recognised in other comprehensive income	-	(501,000)	-	(501,000)
At 31 December 2022	(3,407,639)	(850,000)	(692,000)	(4,949,639)
Recognised in profit or loss	122,974	-	(22,000)	100,974
At 31 December 2023	(3,284,665)	(850,000)	(714,000)	(4,848,665)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The amounts of deferred tax assets (at gross) that are not recognised in the statements of financial position are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Property, plant and equipment	540,000	464,000
Contract liabilities	6,467,000	6,467,000
Unused tax losses	6,493,000	7,390,000
Unutilised capital allowances	244,000	2,558,000
Unutilised reinvestment allowances	6,754,000	6,754,000
Inventories	164,000	440,000
Allowance for impairment loss	6,811,000	7,644,000
	<u>27,473,000</u>	<u>31,717,000</u>

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which certain subsidiaries can utilise the benefits therefrom.

Effective Year of Assessment 2019 as announced in the Annual Budget 2022, the unused tax losses of the Group as of 31 December 2018 and thereafter will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unused tax losses will be disregarded.

The expiry of the unused tax losses is as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Year of assessment ("YA")		
YA 2028	1,873,000	4,241,000
YA 2029	1,282,000	1,282,000
YA 2030	801,000	901,000
YA 2031	139,000	139,000
YA 2032	641,000	827,000
YA 2033	1,757,000	-
	<u>6,493,000</u>	<u>7,390,000</u>

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying values at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the asset and liabilities, using tax rates enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

11. OTHER RECEIVABLES

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Non-trade receivables	1,117,835	590,068
Less: Allowance for expected credit losses	<u>(145,043)</u>	<u>(145,043)</u>
	<u>972,792</u>	<u>445,025</u>
Deposits	1,871,076	2,872,245
Advances to suppliers	<u>1,148,055</u>	<u>1,791,240</u>
Total receivables	3,991,923	5,108,510
Prepayments	<u>1,157,318</u>	<u>1,752,619</u>
	<u>5,149,241</u>	<u>6,861,129</u>

Non-trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair value on initial recognition. Interest is charged on overdue accounts at the rate of 5% (2022: 5%) per annum.

12. SHARE CAPITAL

Group and Company

	Number of ordinary shares		Amount	
	<u>2023</u> Unit	<u>2022</u> Unit	<u>2023</u> RM	<u>2022</u> RM
Issued and fully paid with no par value:-				
At 1 January	147,827,158	147,827,158	153,228,000	153,228,000
Issuance of ordinary shares pursuant to private placement	<u>14,782,700</u>	<u>-</u>	<u>6,800,042</u>	<u>-</u>
At 31 December 2023	<u>162,609,858</u>	<u>147,827,158</u>	<u>160,028,042</u>	<u>153,228,000</u>

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

13. REVALUATION RESERVE

Group

The revaluation reserve represents the fair value of freehold land and buildings, net of tax, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

14. LEASE LIABILITIES

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Non-current	-	40,792
Current	40,792	53,115
	<u>40,792</u>	<u>93,907</u>

The maturity analysis of lease liabilities is disclosed in Note 29 to the financial statements.

The expenses relating to payment not included in the measurement of lease liabilities are as follows:-

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Short-term leases	177,422	159,864
Low value assets	3,851	3,325
	<u>181,273</u>	<u>163,189</u>

The total cash outflows of the Group for leases amounted to RM237,473 (2022: RM240,556).

The effective interest rates of lease liabilities are ranging from 4.70% to 5.39% (2022: 4.59% to 5.39%) per annum.

The lease liabilities of the Group are secured by way of corporate guarantee by the Company and a Director of a subsidiary.

Recognition exemption

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

15. BORROWINGS

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Non-current		
Secured:-		
Term loans	<u>21,917,564</u>	<u>24,888,935</u>
Current		
Secured:-		
Term loans	3,036,962	4,326,936
Bankers' acceptances	82,541,750	103,156,328
Bank overdraft	<u>46,174</u>	<u>2,438,933</u>
	85,624,886	109,922,197
Unsecured:-		
Bankers' acceptances	<u>39,393,215</u>	<u>33,660,058</u>
	<u>125,018,101</u>	<u>143,582,255</u>
	<u>146,935,665</u>	<u>168,471,190</u>
Total borrowings		
Term loans	24,954,526	29,215,871
Bankers' acceptances	121,934,965	136,816,386
Bank overdraft	<u>46,174</u>	<u>2,438,933</u>
	<u>146,935,665</u>	<u>168,471,190</u>

The secured term loans, bankers' acceptance and bank overdraft are secured by the following:-

- (i) Charge and deeds of assignment over the landed properties and plant and machinery of certain subsidiaries as disclosed in Notes 3 and 4 to the financial statements;
- (ii) Personal guarantee by a substantial shareholder of the Company and a Director of a subsidiary;
- (iii) Corporate guarantee by the Company and a subsidiary;
- (iv) Pledged over quoted shares owned by a substantial shareholder of the Company;
- (v) Debenture by way of fixed and floating charges over the entire assets of a subsidiary;
- (vi) Assignment of Life Assurance Policy by a Director of a subsidiary;
- (vii) Facility agreement;
- (viii) Letter of Hibah; and
- (ix) Letter of negative pledge.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

15. BORROWINGS (CONT'D)

The unsecured bankers' acceptance is guaranteed by the Company, a subsidiary, a Director of subsidiary and a substantial shareholder of the Company and assignment of Life Insurance Policy by a Director of a subsidiary.

The bank overdraft bears interest rates range from 7.07% to 8.32% (2022: 7.07% to 8.07%) per annum.

The bankers' acceptances bear interest rates range from 2.92% to 5.74% (2022: 1.85% to 5.42%) per annum.

The term loans bear interest rates range from 4.11% to 6.41% (2022: 4.15% to 5.72%) per annum. The repayment term for secured term loans ranging from 60 to 180 (2022: 60 to 180) monthly installments.

16. TRADE PAYABLES

Group

Trade payables are non-interest bearing and the normal credit terms granted by the suppliers range from cash term to 120 days (2022: cash term to 120 days).

Included in trade payables are the retention sum amounting to RM4,662,073 (2022: RM4,521,175).

Included in trade payables is an amount of RM608,179 (2022: RM84,640) guaranteed by the Company.

17. OTHER PAYABLES

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
Non-trade payables	22,068,195	32,381,195	36,262	7,734
Amount due to a				
Director	418,167	418,167	-	-
Accruals	1,641,424	1,484,092	147,900	109,900
Deposits received	558,106	532,626	-	-
Sales and services tax payable	101,551	133,157	-	-
	<u>24,787,443</u>	<u>34,949,237</u>	<u>184,162</u>	<u>117,634</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

17. OTHER PAYABLES (CONT'D)

Group

Included in non-trade payables consist of amount due to a substantial shareholder and person connected to substantial shareholder of the Company amounted to RM18,196,003 and RM90,000 (2022: RM27,785,466 and RM90,000) respectively. This amount due are non-interest bearing, unsecured and repayable on demand.

Included in amount due to Director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

18. CONTRACT LIABILITIES

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Deferred revenue	<u>6,467,425</u>	<u>6,467,425</u>

Deferred revenue relates to advanced billing for the good or services which is yet to transfer or perform by the Group as at the reporting date. The Group applies the practical expedient in MFRS 15 on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the performance obligation is part of a contract that has an original expected duration of less than one year.

19. REVENUE

	Group		Company	
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
Revenue from contracts with customers				
Products and services transferred at a point in time:-				
Sales of goods	1,053,616,045	920,919,261	-	-
Rendering of services	<u>83,112</u>	<u>57,365</u>	<u>-</u>	<u>-</u>
	<u>1,053,699,157</u>	<u>920,976,626</u>	<u>-</u>	<u>-</u>
Products and services transferred over time:-				
Construction	25,645,629	22,091,714	-	-
Management fee	-	-	260,000	260,000
Money lending income	<u>447,000</u>	<u>230,000</u>	<u>-</u>	<u>-</u>
	<u>26,092,629</u>	<u>22,321,714</u>	<u>260,000</u>	<u>260,000</u>
	<u>1,079,791,786</u>	<u>943,298,340</u>	<u>260,000</u>	<u>260,000</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

19. REVENUE (CONT'D)

19.1 Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

Group	Paper milling RM	Paper converting RM	Building materials RM	Property development and construction RM	Other trading and services RM	Total RM
2023						
Major products/service lines						
Manufacture of tissue paper and tissue related products	36,909,039	-	-	-	-	36,909,039
Paper converting and trading in paper related products	-	200,058,121	-	-	-	200,058,121
Distributor and retailer of building materials	-	-	811,817,540	-	-	811,817,540
Trading in stationery and paper related products	-	-	-	-	4,831,345	4,831,345
Money lending services	-	-	-	-	447,000	447,000
Construction	-	-	-	25,645,629	-	25,645,629
Others	-	-	-	83,112	-	83,112
Total revenue from contracts with customers	36,909,039	200,058,121	811,817,540	25,728,741	5,278,345	1,079,791,786
Primary geographical markets						
Malaysia	36,909,039	200,058,121	811,817,540	25,728,741	5,278,345	1,079,791,786
Timing of revenue recognition						
Products and services transferred at a point in time	36,909,039	200,058,121	811,817,540	83,112	4,831,345	1,053,699,157
Products and services transferred over time	-	-	-	25,645,629	447,000	26,092,629
	36,909,039	200,058,121	811,817,540	25,728,741	5,278,345	1,079,791,786

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

19. REVENUE (CONT'D)

19.1 Disaggregation of revenue from contracts with customers (cont'd)

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table (cont'd):-

Group	Paper milling RM	Paper converting RM	Building materials RM	Property development and construction RM	Other trading and services RM	Total RM
2022						
Major products/service lines						
Manufacture of tissue paper and tissue related products	34,011,040	-	-	-	-	34,011,040
Paper converting and trading in paper related products	-	169,145,584	-	-	-	169,145,584
Distributor and retailer of building materials	-	-	713,887,486	-	-	713,887,486
Trading in stationery and paper related products	-	-	-	-	3,875,151	3,875,151
Money lending services	-	-	-	-	230,000	230,000
Construction	-	-	-	22,091,714	-	22,091,714
Others	-	-	-	57,365	-	57,365
Total revenue from contracts with customers	34,011,040	169,145,584	713,887,486	22,149,079	4,105,151	943,298,340
Primary geographical markets						
Malaysia	34,011,040	169,145,584	713,887,486	22,149,079	4,105,151	943,298,340
Timing of revenue recognition						
Products and services transferred at a point in time	34,011,040	169,145,584	713,887,486	57,365	3,875,151	920,976,626
Products and services transferred over time	-	-	-	22,091,714	230,000	22,321,714
	34,011,040	169,145,584	713,887,486	22,149,079	4,105,151	943,298,340

	Company	
	<u>2023</u> RM	<u>2022</u> RM
Revenue from contract with customers		
<u>Services transferred over time:-</u>		
Management fee	<u>260,000</u>	<u>260,000</u>
<u>Primary geographical market:-</u>		
Malaysia	<u>260,000</u>	<u>260,000</u>

Sales of goods and services

Revenue from sales of goods and services rendered is recognised at a point in time when the goods have been transferred or the services have been rendered to the customers and coincides with the delivery of products or services and acceptance by customer.

There is no material right of return provided to the customers on the sale of products.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

19. REVENUE (CONT'D)

19.1 Disaggregation of revenue from contracts with customers (cont'd)

Sales of goods and services (cont'd)

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

Money lending income

Revenue from money lending represents the profit income from financing receivables. The revenue is recognised as income over the period of instalment payments calculated using effective interest rate method.

Management fee

Management fee is recognised when services are rendered.

Construction contracts

Revenue from construction contracts is recognised over time as the projects being constructed has no alternative use to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using input method, which is based on the total actual construction cost incurred to date as compared with to the total budgeted costs for the respective construction projects.

20. OTHER INCOME

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
Fair value gain on investment properties	220,000	390,000	-	-
Fair value gain on other investment	-	920,746	-	-
Gain on disposal of property, plant and equipment	977,211	23,999	-	-
Gain on disposal of investment a subsidiary	1,443,237	-	1,599	-
Insurance claim income	1,593,981	-	-	-
Realised gain on foreign exchange	532,694	405,540	-	-
Rental income	1,832,851	1,418,967	-	-
Reversal of inventories written down	1,195,922	1,124,068	-	-
Sundry income	113,650	50,200	-	-
	<u>7,909,546</u>	<u>4,333,520</u>	<u>1,599</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

21. FINANCE INCOME

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
Interest income:				
- Subsidiaries	-	-	197,655	28,982
- Banks	1,343,391	799,324	-	-
- Loan late payment interest income	39,155	-	-	-
- Overdue interest	51,683	27,588	-	-
	<u>1,434,229</u>	<u>826,912</u>	<u>197,655</u>	<u>28,982</u>

22. FINANCE COSTS

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
Interest expenses:				
- Bankers' acceptances	5,401,804	4,076,201	-	-
- Lease liabilities	3,085	8,045	-	-
- Term loans	1,408,296	1,409,989	-	-
- Multi-option loan	-	936	-	-
- Bank overdraft	5,001	8,832	-	-
- Subsidiary	-	-	4,717	9,011
	<u>6,818,186</u>	<u>5,504,003</u>	<u>4,717</u>	<u>9,011</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

23. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit/(loss) is arrived at:-

	Group		Company	
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
Auditors' remuneration related to:				
- statutory audit	408,000	380,000	68,000	68,000
- assurance-related services	8,000	8,000	8,000	8,000
Local affiliate of Grant Thornton Malaysia PLT				
- other services	82,500	79,500	3,900	3,900
Bad debts written off	31,137	36,446	-	-
Depreciation of property, plant and equipment				
- included in cost of sales	2,103,748	2,323,481	-	-
- included in administrative expenses	1,209,715	1,677,603	-	-
Goodwill written off	864,385	-	-	-
(Reversal of impairment loss)/Impairment loss on:				
- trade receivables	(137,084)	(399,839)	-	-
- investment in subsidiaries	-	-	-	48,160
Loss on remeasurement on investment in associate	575,858	-	-	-
Property, plant and equipment written off	64,311	46,700	-	-
Realised gain on foreign exchange	(532,694)	(404,540)	-	-
Rental income	<u>(1,832,851)</u>	<u>(1,418,967)</u>	<u>-</u>	<u>-</u>

24. TAX EXPENSE

	Group		Company	
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
Current tax				
- Current financial year	5,372,807	4,905,575	56,000	40,000
- Over provision in prior financial year	<u>(33,591)</u>	<u>(172,902)</u>	<u>(14,406)</u>	<u>(1,576)</u>
	<u>5,339,216</u>	<u>4,732,673</u>	<u>41,594</u>	<u>38,424</u>
Deferred tax				
- Current financial year	(347,000)	(525,332)	-	-
- Over recognised in prior financial year	<u>-</u>	<u>(204,000)</u>	<u>-</u>	<u>-</u>
	<u>(347,000)</u>	<u>(729,332)</u>	<u>-</u>	<u>-</u>
	<u>4,992,216</u>	<u>4,003,341</u>	<u>41,594</u>	<u>38,424</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

24. TAX EXPENSE (CONT'D)

Malaysian income tax is calculated at the statutory tax rate 24% (2022: 24%) of the estimated taxable profit for the financial year.

The numerical reconciliation between the effective tax rate and the statutory tax rate of the Group and of the Company are as follows:-

	Group		Company	
	<u>2023</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2022</u> RM
Profit/(Loss) before tax	<u>22,461,835</u>	<u>19,832,773</u>	<u>(44,487)</u>	<u>(30,089)</u>
Tax at statutory tax rate of 24%	5,390,840	4,759,866	(10,677)	(7,221)
Tax effects in respect of:-				
Expenses not deductible for tax purposes	808,250	775,692	66,677	47,221
Income not subject to tax	(154,723)	(488,915)	-	-
Movement of deferred tax assets not recognised	(1,018,560)	(716,400)	-	-
Over provision of tax expense in prior financial year	(33,591)	(172,902)	(14,406)	(1,576)
Over recognised of deferred tax in prior financial year	-	(204,000)	-	-
Additional deferred tax liabilities on real property gain tax	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
	<u>4,992,216</u>	<u>4,003,341</u>	<u>41,594</u>	<u>38,424</u>

	Group	
	<u>2023</u> RM	<u>2022</u> RM
Tax recognised in other comprehensive income:-		
Revaluation of land	<u>-</u>	<u>501,000</u>

25. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

25. EARNINGS PER SHARE (CONT'D)

Basic earnings per ordinary share (cont'd)

	Group	
	<u>2023</u>	<u>2022</u>
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	17,466,109	15,827,603
Weighted average number of ordinary shares in issue	154,771,778	147,827,158
Basic earning per share (sen)	<u>11.29</u>	<u>10.71</u>

Diluted earnings per share

Diluted earnings per ordinary share equals basic earnings per ordinary share as there are no dilutive potential ordinary shares.

26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
Salaries and other emoluments	8,111,357	9,662,799	13,500	11,250
Defined contribution plans	641,057	812,406	-	-
Social security contribution	<u>115,668</u>	<u>134,363</u>	<u>-</u>	<u>-</u>
	<u>8,868,082</u>	<u>10,609,568</u>	<u>13,500</u>	<u>11,250</u>

The employee benefits expense of the Group and of the Company included Directors' emoluments as disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

27. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Company and subsidiaries during the financial year are as follows:-

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
<u>Executive Directors:-</u>				
Existing Directors of the Company				
Fees	33,423	30,673	-	-
Salaries and other emoluments	29,050	24,750	-	-
Social security contribution	359	303	-	-
	<u>62,832</u>	<u>55,726</u>	<u>-</u>	<u>-</u>
Existing Directors of Subsidiaries				
Salaries and other emoluments	337,277	297,836	-	-
Defined contribution plans	40,614	35,975	-	-
Social security contribution	3,345	2,794	-	-
	<u>381,236</u>	<u>336,605</u>	<u>-</u>	<u>-</u>
Total Executive Directors' remuneration	<u>444,068</u>	<u>392,331</u>	<u>-</u>	<u>-</u>
<u>Non-executive Directors:-</u>				
Existing Directors of the Company				
Fees	106,000	76,000	106,000	76,000
Salaries and other emoluments	13,500	11,250	12,000	11,250
	<u>119,500</u>	<u>87,250</u>	<u>118,000</u>	<u>87,250</u>
Past Directors of the Company				
Salaries and other emoluments	-	-	1,500	-
Total Non-executive Directors' remuneration	<u>119,500</u>	<u>87,250</u>	<u>119,500</u>	<u>-</u>
Total Directors' remuneration	<u>563,568</u>	<u>479,581</u>	<u>119,500</u>	<u>87,250</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

28. RELATED PARTY DISCLOSURES

The Group has related party relationship with its significant investors, subsidiaries, associate, Directors and key management personnel.

Related party transactions and balances

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:-

	Group		Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RM	RM	RM	RM
<u>Subsidiaries</u>				
Loan given to	-	-	6,590,000	-
Interest charged to	-	-	197,655	28,982
Interest charged by	-	-	4,717	9,011
Management fee charged to	-	-	260,000	260,000
Payment made on behalf from	-	-	1,354	557
Internal audit fee back charged to	-	-	93,827	96,312
<u>Substantial shareholder of the Company</u>				
Consultancy fee paid	180,000	180,000	-	-
Disposal of a subsidiary	2,200	-	2,200	-
Advance from	-	14,042,339	-	-

The outstanding balances arising from related party transactions were disclosed in Notes 6 and 17 to the financial statements.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and the entity that provides key management personnel services to the Group and the Company.

The key management personnel consists of Executive Director of the Company and certain members of senior management of the Group.

The remuneration of the Directors is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

Compensation of key management personnel (cont'd)

The remuneration of other key management personnel of the Group during the financial year are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Fees	33,423	30,673
Salaries and other emoluments	450,330	407,122
Defined contribution plans	52,293	39,150
Social security contribution	5,230	12,550
	<u>541,276</u>	<u>489,495</u>

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost follows:-

	<u>2023</u>	<u>2022</u>
	RM	RM
Group		
Financial assets		
Trade receivables	169,666,055	220,246,083
Other receivables (excluded prepayments)	3,991,923	5,108,510
Cash and bank balances	97,740,084	72,530,274
	<u>271,398,062</u>	<u>297,884,867</u>
Financial liabilities		
Trade payables	38,811,389	55,530,912
Other payables (excluded sales and services tax payable)	24,685,892	34,816,080
Borrowings	146,935,665	168,471,190
	<u>210,432,946</u>	<u>258,818,182</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost follows (cont'd):-

	<u>2023</u> RM	<u>2022</u> RM
Company		
Financial assets		
Amount due from subsidiaries	7,038,334	680,726
Cash and bank balances	<u>397,391</u>	<u>125,769</u>
	<u>7,435,725</u>	<u>806,495</u>
Financial liabilities		
Other payables	184,162	117,634
Amount due to a subsidiary	<u>-</u>	<u>156,353</u>
	<u>184,162</u>	<u>273,987</u>

Financial risk management objectives and policies

Financial risks

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The Group and the Company do not engage in the trading of financial assets for speculative purpose nor does it write options. The Group and the Company do not apply hedge accounting.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade receivables, most of other receivables and amount due from subsidiaries in the statements of financial position.

The areas where the Group and the Company are exposed to credit risk are as follows:-

Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

An impairment analysis performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns by customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The areas where the Group and the Company are exposed to credit risk are as follows:-

Receivables (cont'd)

The following table provides information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

	Current RM	Days past due					Total RM
		1 to 30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 120 days RM	More than 120 days RM	
2023							
Gross carrying amount	107,714,776	25,437,600	18,793,802	8,011,878	4,072,485	23,161,859	187,192,400
ECLs (Collective)	328,757	564,155	243,618	354,046	254,633	2,763,763	4,508,972
ECLs (Individual)	-	-	-	-	-	13,017,373	13,017,373
2022							
Gross carrying amount	119,747,434	46,274,707	21,695,812	11,363,650	7,379,210	31,537,721	237,998,534
ECLs (Collective)	297,805	562,677	312,748	417,106	296,253	2,760,970	4,647,559
ECLs (Individual)	-	-	-	-	-	13,104,892	13,104,892

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements, except as disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The areas where the Group and the Company are exposed to credit risk are as follows:-

Concentration of credit risk

The credit risk concentration profile of the Group as at the reporting date is as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
By country:-		
Malaysia	<u>169,666,055</u>	<u>220,246,083</u>
By industry sector:-		
Paper milling	9,581,468	9,899,940
Paper converting	25,178,329	22,763,243
Building materials	112,305,224	153,644,439
Property development and construction	18,803,773	24,858,144
Other trading	<u>3,797,261</u>	<u>9,080,317</u>
	<u>169,666,055</u>	<u>220,246,083</u>

Intercompany balances

The Company provides unsecured advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

Other receivables

As at the reporting date, the management is of the opinion that all necessary impairment that is required has been provided for.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Cash and bank balances

The credit risk for cash and bank balances is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default.

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk amounting to RM145,718,664 (2022: RM168,036,788) representing the outstanding banking facilities of the subsidiaries and RM608,179 (2022: RM84,640) to subsidiaries' supplier as at the end of the reporting period.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to supplier of subsidiaries in supplying trading goods to the subsidiaries.

The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognized in the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due as a result of shortage of funds.

In managing their exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	Carrying amount RM	Total contractual cash flows RM	Maturity			
			Current	Non-current		
			On demand / Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
Group						
2023						
Non-derivative financial liabilities						
Secured:						
Bank overdraft	46,174	46,174	46,174	-	-	-
Bankers' acceptances	82,541,750	82,541,750	82,541,750	-	-	-
Term loans	24,954,526	30,703,119	4,286,335	4,011,780	11,340,056	11,064,948
Lease liabilities	40,792	43,120	43,120	-	-	-
Unsecured:						
Bankers' acceptances	39,393,215	39,393,215	39,393,215	-	-	-
Trade payables	38,811,389	38,811,389	38,811,389	-	-	-
Other payables	24,685,892	24,685,892	24,685,892	-	-	-
	<u>210,473,738</u>	<u>216,224,659</u>	<u>189,807,875</u>	<u>4,011,780</u>	<u>11,340,056</u>	<u>11,064,948</u>
2022						
Non-derivative financial liabilities						
Secured:						
Bank overdraft	2,438,933	2,438,933	2,438,933	-	-	-
Bankers' acceptances	103,156,328	103,156,328	103,156,328	-	-	-
Term loans	29,215,871	35,703,502	5,627,921	4,168,927	11,446,147	14,460,507
Lease liabilities	93,907	99,320	56,200	43,120	-	-
Unsecured:						
Bankers' acceptances	33,660,058	33,660,058	33,660,058	-	-	-
Trade payables	55,530,912	55,530,912	55,530,912	-	-	-
Other payables	34,816,080	34,816,080	34,816,080	-	-	-
	<u>258,912,089</u>	<u>265,405,133</u>	<u>235,286,432</u>	<u>4,212,047</u>	<u>11,446,147</u>	<u>14,460,507</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

	Carrying amount	Total contractual cash flows	Maturity			
			Current	Non-current		
	RM	RM	On demand / Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Company 2023			RM	RM	RM	RM
Non-derivative financial liability						
Other payables	184,162	184,162	184,162	-	-	-
Financial guarantee *	146,326,843	146,326,843	146,326,843	-	-	-
2022						
Non-derivative financial liabilities						
Other payables	117,634	117,634	117,634	-	-	-
Amount due to a subsidiary	156,353	156,353	156,353	-	-	-
	273,987	273,987	273,987	-	-	-
Financial guarantee *	168,121,428	168,121,428	168,121,428	-	-	-

* This exposure of liquidity risk is included for illustration purpose only as the related financial guarantee has not crystallised.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's investments in fixed rate instruments and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Short-term receivables and payables are not significantly exposed to interest rate risk.

Interest rate sensitivity

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Fixed rate instruments		
<u>Financial asset</u>		
Loan receivables	3,231,379	7,778,445
<u>Financial liabilities</u>		
Lease liabilities	(40,792)	(93,907)
Bankers' acceptances	<u>(121,934,965)</u>	<u>(136,816,386)</u>
Total financial liabilities	<u>(121,975,757)</u>	<u>(136,910,293)</u>
Net financial liabilities	<u>(118,744,378)</u>	<u>(129,131,848)</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were (cont'd):-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Floating rate instruments		
<u>Financial liabilities</u>		
Term loans	(24,954,526)	(29,215,871)
Bank overdraft	<u>(46,174)</u>	<u>(2,438,933)</u>
Net financial liabilities	<u><u>(25,000,700)</u></u>	<u><u>(31,654,804)</u></u>
	Company	
	<u>2023</u>	<u>2022</u>
	RM	RM
Floating rate instruments		
<u>Financial asset</u>		
Amount due from a subsidiary	6,740,000	550,000
<u>Financial liability</u>		
Amount due to a subsidiary	<u>-</u>	<u>(196,125)</u>
Net financial asset	<u><u>6,740,000</u></u>	<u><u>353,875</u></u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2022: +/-25) basis points (“bp”). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Increase/(Decrease) on profit/equity of the year			
	Group		Company	
	RM	RM	RM	RM
2023 (+/- 25bp)	(62,502)	62,502	16,850	(16,850)
2022 (+/- 25bp)	<u>(79,137)</u>	<u>79,137</u>	<u>885</u>	<u>(885)</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(d) Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group’s exposures to foreign currency risk, the Group are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currencies of Group. The currency giving rise to this risk is primarily United States Dollar (“USD”).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) Foreign currency risks (cont'd)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:-

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
USD/RM		
Cash and bank balances	<u>36,394</u>	<u>91,269</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) for the year and equity to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

	Effect for the (loss)/profit of the year/equity RM
2023	
USD/RM	
- strengthened 5%	1,820
- weakened 5%	<u>(1,820)</u>
2022	
USD/RM	
- strengthened 5%	4,563
- weakened 5%	<u>(4,563)</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Fair value of financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company at reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting, or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group does not intend to dispose of these investments in the near future.

Fair value hierarchy

No fair value hierarchy has been disclosed as the Group does not have financial instruments measured at fair value.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January RM	Drawdown RM	Cash flows RM	At 31 December RM
2023				
Group				
Lease liabilities	93,907	-	(53,115)	40,792
Term loans	29,215,871	-	(4,261,345)	24,954,526
Amount due to a Director	418,167	-	-	418,167
Amount due to a substantial shareholder of the company	27,785,466	-	(9,589,463)	18,196,003
Total liabilities from financing activities	57,513,411	-	(13,903,923)	43,609,488
Company				
Amount due to a subsidiary	161,353	-	(161,353)	-
Total liability from financing activity	161,353	-	(161,353)	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	At 1 January RM	Drawdown RM	Cash flows RM	At 31 December RM
2022				
Group				
Lease liabilities	74,229	89,000	(69,322)	93,907
Term loans	33,595,789	-	(4,379,918)	29,215,871
Multi-option loan	166,595	-	(166,595)	-
Amount due to a Director	184,243	-	233,924	418,167
Amount due to a substantial shareholder of the company	13,743,127	-	14,042,339	27,785,466
Total liabilities from financing activities	47,763,983	89,000	9,660,428	57,513,411
Company				
Amount due to a subsidiary	207,235	-	(45,882)	161,353
Total liability from financing activity	207,235	-	(45,882)	161,353

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial years ended 31 December 2023 and 31 December 2022.

The borrowings include lease liabilities, bankers' acceptances, bank overdraft, term loans and multi-option loan while owners' equity refers to the equity attributable to the owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

30. CAPITAL MANAGEMENT (CONT'D)

	Group	
	<u>2023</u>	<u>2022</u>
	RM	RM
Total borrowings:-		
- lease liabilities	40,792	93,907
- bankers' acceptance	121,934,965	136,816,386
- term loans	24,954,526	29,215,871
- bank overdraft	46,174	2,438,933
	<u>146,976,457</u>	<u>168,565,097</u>
Owners' equity	<u>321,145,842</u>	<u>296,879,691</u>
Debt-to-equity ratio	<u>0.46</u>	<u>0.57</u>

There were no changes in the Group's approach to capital management during the financial year.

The Group has complied with Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad which requires the Group to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital of the Company and shareholders' equity of not less than RM40 million.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS

(i) Business segment

For management purposes, the Group is organised into five major business units based on their products and services, which comprises the following:-

Business segments	Business activities
Paper milling	: Manufacture of various types of tissue paper and tissue related products.
Paper converting	: Converting of paper into related products and trading in paper related products.
Building materials	: Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products, plywood, printed laminated plywood, cement and steel bars.
Investment and management	: Providing management services, investment holding and dormant companies.
Property development and construction	: Undertakes the development of factories and construction activities.
Other trading and services	: Trading in paper, paper products, stationery, general household products, money lending services and other unclassified companies of diversified activities.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(i) Business segment (cont'd)

<u>2023</u>	<u>Note</u>	<u>Paper milling</u> RM	<u>Paper converting</u> RM	<u>Building materials</u> RM	<u>Investment and management</u> RM	<u>Property development and construction</u> RM	<u>Other trading and services</u> RM	<u>Consolidation adjustments</u> RM	<u>Total consolidated</u> RM
Revenue									
External revenue		36,909,039	200,058,121	811,817,540	260,000	25,728,741	5,278,345	(260,000)	1,079,791,786
Inter-segment revenue	(a)	-	585	-	-	-	-	(585)	-
Total revenue		36,909,039	200,058,706	811,817,540	260,000	25,728,741	5,278,345	(260,585)	1,079,791,786
Results									
Finance income		154,854	559,754	2,599,528	197,655	5,311	397,446	(2,480,319)	1,434,229
Finance costs		(492,763)	(990,024)	(5,859,500)	(4,717)	(1,847,723)	(103,778)	2,480,319	(6,818,186)
Depreciation		(1,692,498)	(70,691)	(1,446,830)	-	(191)	(63,253)	(40,000)	(3,313,463)
Other non-cash income	(b)	781,136	1,436,766	(1,014,975)	2,994	-	(54,915)	(500,000)	651,006
Tax expense		(13,512)	-	(4,798,647)	(41,594)	(15,595)	(122,868)	-	(4,992,216)
Segment profit/(loss)	(c)	3,995,776	(92,962)	18,082,895	(279,019)	974,085	448,203	(275,402)	22,853,576
Assets									
Additions to non-current assets other than deferred tax assets	(d)	201,828	-	1,305,086	-	-	9,502	-	1,516,416
Segment assets	(e)	35,504,121	58,878,613	363,327,694	157,133,056	71,717,937	14,052,021	(165,373,345)	535,240,097
Liabilities									
Segment liabilities	(f)	15,368,338	8,925,518	26,949,597	184,162	68,401,202	1,912,448	(51,675,008)	70,066,257

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(i) Business segment (cont'd)

2022										
Revenue										
External revenue	34,011,040	169,145,584	713,888,053	260,000	22,149,079	4,105,151	(260,567)	943,298,340		
Inter-segment revenue	-	585	585	-	-	-	(1,170)	-		
(a)										
Total revenue	34,011,040	169,145,169	713,888,638	260,000	22,149,079	4,105,151	(261,737)	943,298,340		
Results										
Finance income	116,783	615,985	1,776,122	28,982	1,467	351,880	(2,064,307)	826,912		
Finance costs	(583,110)	(749,457)	(4,663,740)	(9,011)	(1,490,723)	(72,269)	2,064,307	(5,504,003)		
Depreciation	(2,017,351)	(104,374)	(1,615,506)	-	(192)	(63,661)	(200,000)	(4,001,084)		
Other non-cash income	(140,678)	(273,660)	2,697,942	-	(380,551)	(178,617)	(700,000)	1,024,436		
Tax expense	40,240	299,554	(4,213,179)	(38,424)	-	(91,532)	-	(4,003,341)		
Segment profit/(loss)	1,285,143	850,540	17,705,649	(88,484)	322,649	(2,682,872)	3,113,898	20,506,523		
Assets										
Investment in an associate	-	-	-	1	-	-	-	1		
Additions to non-current assets other than deferred tax assets	92,091	89,000	401,426	-	-	-	-	582,517		
Segment assets	38,090,963	61,500,440	378,446,660	150,503,825	78,136,860	18,151,190	(166,028,018)	558,801,920		
Liabilities										
Segment liabilities	18,369,568	6,078,025	45,352,883	273,987	73,007,593	7,660,828	(53,795,310)	96,947,574		

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(i) Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

- (a) Inter-segment revenue are eliminated on consolidation.
- (b) Other non-cash (expenses)/income consist of the following items as presented in the respective notes to the financial statements:-

	<u>2023</u> RM	<u>2022</u> RM
Bad debts written off	(31,137)	(36,446)
Fair value gain on investment properties	220,000	390,000
Fair value gain on other investment	-	920,746
Gain on disposal of property, plant and equipment	977,211	22,909
Gain on disposal of investment in a subsidiary	1,443,237	-
Inventories written down	(1,035,754)	(1,545,907)
Inventories written off	(751,003)	(204,073)
Goodwill written off	(864,385)	-
Loss on remeasurement on investment in associate	(575,858)	-
Net impairment gain on financial assets	137,084	399,839
Property, plant and equipment written off	(64,311)	(46,700)
Reversal of inventories written down	<u>1,195,922</u>	<u>1,124,068</u>
	<u>651,006</u>	<u>1,024,436</u>

- (c) The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:-

	<u>2023</u> RM	<u>2022</u> RM
Segment profit	22,853,576	20,506,523
Finance income	1,434,229	826,912
Finance costs	<u>(6,818,186)</u>	<u>(5,504,003)</u>
Profit after tax	<u>17,469,619</u>	<u>15,829,432</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(i) Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

(d) Additions to non-current assets other than deferred tax assets consist of:-

	<u>2023</u> RM	<u>2022</u> RM
Property, plant and equipment	<u>1,516,416</u>	<u>582,517</u>

(e) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	<u>2023</u> RM	<u>2022</u> RM
Segment assets	535,240,097	558,801,920
Investment in an associate	-	1
Deferred tax assets	1,993,166	1,993,166
Tax recoverable	<u>3,006,879</u>	<u>2,854,331</u>
Total assets	<u>540,240,142</u>	<u>563,649,418</u>

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	<u>2023</u> RM	<u>2022</u> RM
Segment liabilities	70,066,257	96,947,574
Deferred tax liabilities	231,000	578,000
Lease liabilities	40,792	93,907
Borrowings	146,935,665	168,471,190
Tax payable	<u>1,808,615</u>	<u>670,595</u>
Total liabilities	<u>219,082,329</u>	<u>266,761,266</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(ii) Geographical information

Non-current assets information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

Non-current assets information mentioned above consist of the following items as presented in the statements of financial position:-

	<u>2023</u> RM	<u>2022</u> RM
Property, plant and equipment	64,552,160	67,042,007
Investment properties	55,380,000	55,160,000
Goodwill on consolidation	<u>43,151,039</u>	<u>43,151,039</u>
	<u>163,083,199</u>	<u>165,353,046</u>

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:-

	Revenue by geographical market	
	<u>2023</u> RM	<u>2022</u> RM
Malaysia *	<u>1,079,791,786</u>	<u>943,298,340</u>

* Company's home country

(iii) Information about major customers

The following are major customers with revenue equal or more than 10 percent of the Group's revenue:-

	RM	%	Operating Segment
2023			
Customer A	134,571,035	12	Paper converting, property development and construction
Customer B	<u>120,727,849</u>	<u>11</u>	Building materials
	<u>255,298,884</u>	<u>23</u>	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

31. OPERATING SEGMENTS (CONT'D)

(iii) Information about major customers (cont'd)

The following are major customers with revenue equal or more than 10 percent of the Group's revenue (cont'd):-

	RM	%	Operating Segment
2022			
Customer A	108,071,377	11	Paper converting, property development and construction
Customer B	95,319,350	10	Building materials
Customer C	<u>96,122,820</u>	<u>10</u>	Building materials
	<u>299,513,547</u>	<u>31</u>	

32. INTEREST IN A JOINT OPERATION

The subsidiary has 75% share in the gross development values ("GDV") and has taken over the full project development cost start from the effective date 15 August 2015 onward.

33. COMPARATIVE INFORMATION

Certain comparative figures in the financial statements have been reclassified on the face of the statements of financial position to confirm current year presentation due to change in reclassification.

	Previously stated <u>31.12.2022</u> RM	Increase/ (Decrease) RM	As reclassified <u>31.12.2022</u> RM
Group			
Statements of financial position			
Non-current asset			
Trade receivables	4,810	3,887,872	3,892,682
Current asset			
Trade receivables	<u>220,241,273</u>	<u>(3,887,872)</u>	<u>216,353,401</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

34. MATERIAL LITIGATIONS

- (a) On 18 November 2021, a wholly-owned subsidiary, Hai Ming Development Sdn. Bhd. (“the subsidiary”) had filed a suit against the Nautical Wealth Sdn. Bhd., Tang For Peo and Soon Bee Kuan (collectively known as the “Defendants”) to seek damages from the Defendants for the breach of the Development Agreement dated 29 April 2015 duly entered by the subsidiary and the Defendants in respect of the project located at Lot 928, Mukim Rawang, District of Gombak (“the Land”), known as 928 Corporate Park @ Rawang (“Completed Properties”).

Further, the subsidiary had also filed an application to obtain an interim injunction application to restrain Nautical Wealth Sdn. Bhd. from operating various account related to the Completed Properties.

On 23 March 2022, Defendants’ solicitor disclosed that Tang For Peo and Soon Bee Kuan had been declared bankruptcy on 24 February 2022 and they are the only Directors and shareholders of Nautical Wealth Sdn. Bhd..

Therefore, the subsidiary had filed an application to the court on 1 April 2022. The Judge granted a temporary variation to restrain Nautical Wealth Sdn. Bhd. from dealing with remaining project lands and there is pending hearing of the application on 27 May 2022.

The initial trial dates for 2022 have been cancelled and new trial dates have been fixed on 24 to 26 January 2023 and 7 to 9 February 2023.

On 17 August 2022, Nautical Wealth Sdn. Bhd. had been wound up and a private liquidator, Mr Chong Chuan Long was appointed as the Liquidator.

On 25 September 2022, the Liquidator has filed an application to vary the Company Injunction Order to allow the Liquidator to among others; (i) take possession and control of all bank accounts of Nautical Wealth Sdn. Bhd., (ii) to deal with the funds in the bank accounts into a new liquidation account, (iii) to deal with the bank accounts towards the liquidation expenses, and (iv) to deal with possession of all unsold 29 units of properties under Nautical Wealth Sdn. Bhd..

The Court has allowed the Liquidator’s application with the Liquidator’s formal undertaking that he will not dispose off any assets until the outcome of these civil suits and all appeals arising thereof and/or the filing of proof of debt and as well as all proceedings arising therefrom whichever is applicable.

The solicitor of the Company has filed a Proof of Debt to protect the Company’s interests. The solicitor also filed a leave application under Section 471 of the Companies Act 2016 to continue the suits against Nautical Wealth Sdn. Bhd.. As a wound-up company which the Court has allowed through an order dated 10 December 2022.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

34. MATERIAL LITIGATIONS (CONT'D)

- (a) On 16 November 2023, the Court recorded a consent judgment pursuant to which Nautical Wealth Sdn. Bhd. is to pay the subsidiary RM53,697,941.45 and with no order as to costs. This consent judgment is subject to validation by the Winding Up Court.

On 12 December 2023, the Liquidator of Nautical Wealth Sdn. Bhd. has obtained the validation order on 12 December 2023 from the High Court of Kuala Lumpur Winding Up Petition No. WA-28PW-523-12/2023 ordered as follows:-

- (i) Nautical Wealth Sdn. Bhd. be given leave and approval to enter into a compromise, accept and/or carry out the terms of the Consent Judgment dated 16 November 2023 pursuant to the Shah Alam High Court, Civil Suit No. BA-22C-24-07/2020 heard together with the Shah Alam High Court, Civil Suit No. BA-22C-41-09/2019 (“Consent Judgment”).
- (ii) All payments and/or distributions in respect of carrying out and enforcing the terms of the Consent Judgment be approved and validated by the Honourable Court.
- (iii) Costs of the application to be paid out of the assets of Nautical Wealth Sdn. Bhd..
- (iv) Nautical Wealth Sdn. Bhd. be given liberty to apply to the Honourable Court for further directions and orders as may be appropriate or necessary.
- (v) The Suit is not expected to have any material operational impact on the Company.

As a result, Suit No. BA-22C-24-07/2020 and Suit No. BA-22C-41-09/2019 have been finally determined.

- (b) On 23 October 2023, KPS Plywood Sdn. Bhd. (“KPSP”) had been served with Writ of Summon dated 13 October 2023 and Statement of Claim dated 12 October 2023 by Kong Kok Wah (a sole proprietor conducting business in the name and style of Sim Kayu Balak) (“Plaintiff”).

The claimed against KPSP is due to fails to settle the payment for the timber logs sold and delivered to Welley Timber Industries Sdn. Bhd. from year 2017 to year 2019 as per the Defendant’s instructions.

The financial impact of the legal suit, if any, can only be ascertained pending the legal review by the KPSP’s solicitor. There is no operational impact of the legal suit on KPSP.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2023 (CONT'D)

34. MATERIAL LITIGATIONS (CONT'D)

- (c) On 23 October 2023, KPS Plywood Sdn. Bhd. (“KPSP”) been served with Writ of Summon dated 13 October 2023 and Statement of Claim dated 12 October 2023 by SKB Wood Sdn. Bhd. (“Plaintiff”).

The claimed against KPSP is due to fails to settle the payment for the timber logs sold and delivered to Welley Timber Industries Sdn. Bhd. from year 2017 to year 2019 as per the Defendant’s instructions.

The financial impact of the legal suit, if any, can only be ascertained pending the legal review by the KPSP’s solicitor. There is no operational impact of the legal suit on KPSP.

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2023

No.	Location	Brief Description and Existing Use	Tenure/Date Of Expiry of Leasehold Land	Approximate Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation *
1.	Lot 622, Jalan Lapis Dua, 6¾ Miles off Jalan Kapar, 42200 Klang, Selangor Darul Ehsan	Office/ residential building, factory and warehouse for own use	Freehold	179,994	25	18,500	2023*
2.	Unit No. B-08-01, Level 8, SOHO, Empire Subang, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan	Commercial unit	Freehold	21,183	14	15,600	2023*
3.	Lot 15964 (574) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Freehold land with double storey office block & open warehouse rented to I'Kranji	Freehold	133,185	6	14,500	2023*
4.	Lot 15985 (920) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	167,433	6	11,957	2018
5.	22 pieces of land allocated at Off Jalan Gasket 34/2, 40470 Shah Alam, Selangor Darul Ehsan	Land for rent out	Freehold	70,155	38	9,620	2023*

LIST OF PROPERTIES (CONT'D)

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES

List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2023

No.	Location	Brief Description and Existing Use	Tenure/Date Of Expiry of Leasehold Land	Approximate Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation *
6.	Lot 14374, Bandar Kinrara Industrial Centre, 47100 Puchong, Selangor Darul Ehsan	Warehouse for own use	Freehold	186,950	27	6,857	2013
7.	Lot 16250 (954) Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan	Warehouse for own use	Freehold	75,413	6	6,184	2018
8.	Lot 1943 (4986), Jalan Batu Tiga, Batu 2 (Sg Rasa), 43100 Klang, Selangor Darul Ehsan.	Warehouse for own	Freehold	63,895	6	4,483	2018
9.	Pangsapuri Bunga Raya, Taman Bunga Raya, Bukit Berang, Daerah Melaka Tengah, 75450 Melaka	35 units apartment and 1 unit shop lot for rent	99-year lease to 2076	837-1,175 (total of 32,826)	20 to 21	4,020	2023*
10.	Lot PT129942, Kawasan Perusahaan Kanthan, 31200 Chemor, Perak	Factory and office building for own use	60-year lease to 14/03/2055	572,365	25	3,537	1992

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024

Total number of issued shares	:	162,609,858 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Distribution of Shareholdings as at 29 March 2024

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 shares	20	690	0.00
100 - 1,000 shares	551	502,502	0.31
1,001 - 10,000 shares	904	4,298,254	2.64
10,001 - 100,000 shares	323	10,288,100	6.33
100,001 - below 5% of issued shares	74	65,096,500	40.03
5% and above of issued shares	4	82,423,812	50.69
TOTAL	1,876	162,609,858	100.00

Substantial Shareholders as at 29 March 2024

Shareholders	No. of Shares Held		%
	Direct	Indirect	
Koh Poh Seng	74,681,525	-	45.93
Lee Shee	29,211,100	-	17.96
Yong Ah Pee	10,038,000	-	6.17

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 29 March 2024

List of Thirty (30) Largest Shareholders as at 29 March 2024

No.	Name of Shareholders	No. of Shares Held	%
1.	KOH POH SENG	27,371,612	16.83
2.	LEE SHEE	24,811,100	15.26
3.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR KOH POH SENG	22,000,000	13.53
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (100430)	8,241,100	5.07
5.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (E-KLC)	7,500,000	4.61
6.	YONG AH PEE	6,138,000	3.77
7.	RHB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	5,860,000	3.60
8.	LIAU KEEN YEE	3,250,000	2.00
9.	HLB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG	3,000,000	1.84
10.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MY4520)	2,750,000	1.69
11.	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NG AH CHAI (SMART)	2,500,000	1.54
12.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR YONG AH PEE (CEB)	2,300,000	1.41
13.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LEE SHEE (CEB)	2,300,000	1.41
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR LEE SHEE (7002861)	2,100,000	1.29
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI (100426)	2,000,000	1.23

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 29 March 2024

List of Thirty (30) Largest Shareholders as at 29 March 2024 (Cont'd)

No.	Name of Shareholders	No. of Shares Held	%
16.	YEOH HUAN SUI @ YEOH PHUAY	2,000,000	1.23
17.	LIAU CHERN YEE	1,652,000	1.02
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR YONG AH PEE (7002857)	1,600,000	0.98
19.	FIZWAH PEMBINAAN SDN. BHD.	1,425,800	0.88
20.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR GAN BOON TIAN (MY4428)	1,082,700	0.67
21.	LIAU CHOON HWA & SONS SDN. BHD.	1,042,300	0.64
22.	TAN MENG HOOI	1,041,700	0.64
23.	HLIB NOMINEES (TEMPATAN) SDN. BHD. - HONG LEONG BANK BERHAD FOR TEH SHIOU CHERNG	766,000	0.47
24.	LIM TEIK HONG	759,600	0.47
25.	CIMB GROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN FOR DBS BANK LTD (SFS)	708,900	0.44
26.	KOH POH SENG	708,500	0.44
27.	L.T.M. HOLDINGS SDN. BHD.	645,900	0.40
28.	LIAU KEEN YEE	604,300	0.37
29.	WANG SHU LAN	485,700	0.30
30.	YEAM SEW MOY @ NYIAM SIEW MOY	480,000	0.30

Directors' Shareholdings

Directors' Shareholdings and Interest in Shares as at 29 March 2024.

No.	Name of Directors	No. of Shares Held	%
1.	Datuk Chua Hock Gee	Nil	Nil
2.	Mr. Lau Fook Meng	Nil	Nil
3.	Mr. Hew Chee Hau	Nil	Nil
4.	Mr. Cheng Lai Chuan	Nil	Nil
5.	Ms Wong See Mei	Nil	Nil

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 7 June 2024 at 11:00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon.
Please refer to Note 1
2. To approve the payment of Directors' fees and benefits of RM119,500.00 for the financial year ended 31 December 2023.
Ordinary Resolution 1
3. To approve the payment of Directors' fees and benefits up to RM139,500.00 from this Annual General Meeting until next Annual General Meeting of the Company.
Ordinary Resolution 2
4. To re-elect the following Directors retiring in accordance with the Company's Constitution:-
(a) Datuk Chua Hock Gee (Clause 78) **Ordinary Resolution 3**
(b) Lau Fook Meng (Clause 78) **Ordinary Resolution 4**
5. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration.
Ordinary Resolution 5

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution:-

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 AND WAIVER OF PRE-EMPTIVE RIGHTS**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so allotted.

AND THAT pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 8 of the Company's Constitution, approval be and is hereby to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with new Company shares ranking equally to the existing issued Company shares arising from any issuance of the new Company shares pursuant to Sections 75 and 76 of the Companies Act 2016."

Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

LIM SECK WAH (MAICSA 0799845)
(SSM PRACTICING CERTIFICATE NO. 202008000054)
KONG MEI KEE (MAICSA 7039391)
(SSM PRACTICING CERTIFICATE NO.202008002882)
Company Secretaries

Kuala Lumpur

Dated this 30th day of April 2024

NOTES:-

- (i) For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 31 May 2024. Only a depositor whose name appears on the Record of Depositors as at 31 May 2024 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
- (ii) A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. All voting will be conducted by way of poll.
- (iii)
 - (a) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 - (b) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
- (v) The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company’s registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to mega-sharereg@megacorp.com.my not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. For those who have emailed the proxy form, please submit the original at any time before the time appointed for the meeting or to the registration staff on the meeting day for the Company's record.
- (vi) **PERSONAL DATA NOTICE**

By submitting the duly executed Proxy Form, a member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein accordance with the Personal Data Protection Act 2010 for the purpose of this meeting and at any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES (CONT'D):-

(vii) Explanatory notes on Special Business:-

1. The Audited Financial Statements are for discussion only as the Company's Constitution provides that the audited financial statements are to be laid in the general meeting but does not require a formal approval of shareholders.
2. Directors who are standing for re-election

The profiles of Directors seeking for re-election are set out in the Board of Directors' Profiles section of the Company's Annual Report 2023.

The Board, on the recommendation of the Nomination Committee, supported the re-election of the retiring Directors. The Board and the Nomination Committee had reviewed the assessment results of the board evaluation exercise conducted for the financial year ended 31 December 2023 with reference to the Directors' Fit and Proper Policy and were satisfied with the performance and contributions of the retiring Directors that they had effectively discharged their duties and responsibilities well.

3. Ordinary Resolution 6: Authority to Allot Shares

The proposed Ordinary Resolution 6 is primarily to give flexibility to the Board of Directors to allot shares not more than 10% of the total number of issued shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the allotment of new shares, the Directors, under certain circumstances when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issued shares of the Company.

In order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission to the authority, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

As at the date of this notice, 14,782,700 ordinary shares at an issue price of RM0.4600 per share were issued by way of private placement ("Private Placement") during the financial year pursuant to the mandate granted to the Directors at the last Annual General Meeting on 2 June 2023. Total proceeds of RM6,800,042 was raised from the Private Placement and all has been utilised.

KPS CONSORTIUM BERHAD
Registration No.198501011364 (143816 V)
Incorporated in Malaysia

No. of ordinary shares held	
CDS Account No.	

PROXY FORM

(Before completing this form please refer to the notes below)

I/We.....NRIC No./Passport No./Registration No.....
(Full name in block letters)
of.....
(Full address)

being a member/members of **KPS CONSORTIUM BERHAD** hereby appoint the following person(s):-

Full Name (in Black)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

And/or*

Full Name (in Black)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, Selangor Darul Ehsan on Friday, 7 June 2024 at 11:00 a.m. and at any adjournment thereof to vote as indicated below:-

	<i>FOR</i>	<i>AGAINST</i>
Ordinary Resolution 1 - Approval of Directors' fees and benefits up to RM119,500.00 for financial year ended 31 December 2023		
Ordinary Resolution 2 - Approval of Directors' fees and benefits up to RM139,500.00 from this Annual General Meeting until next Annual General Meeting of the Company		
Ordinary Resolution 3 - Re-election of Director, Datuk Chua Hock Gee		
Ordinary Resolution 4 - Re-election of Director, Lau Fook Meng		
Ordinary Resolution 5 - Re-appointment of the retiring auditors, Grant Thornton Malaysia PLT		
Ordinary Resolution 6 - Authority to allot shares and waiver of pre-emptive rights		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

Dated this.....day of.....2024

.....
Signature/Common Seal of shareholder

* **Strike out whichever is not desired.**

Notes:

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 31 May 2024. Only a depositor whose name appears on the Record of Depositors as at 31 May 2024 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.*
2. *A member shall be entitled to appoint up to two (2) proxies to attend and vote in his place. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy. All voting will be conducted by way of poll.*
3. (i) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
(ii) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*
5. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or email to mega-sharereg@megacorp.com.my not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. For those who have emailed the proxy form, please submit the original at any time before the time appointed for the meeting or to the registration staff on the meeting day for the Company's record.*
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Fold here

Affix
Stamp Here

The Company Secretary,
KPS CONSORTIUM BERHAD
Registration No.198501011364 (143816-V)
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur

Fold here

KPS CONSORTIUM BERHAD
Registration No. 198501011364 (143816-V)
Incorporated in Malaysia

ANNUAL REPORT REQUISITION FORM

To: The Company Secretary,
KPS Consortium Berhad
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur

REQUEST FORM FOR HARD COPY OF THE ANNUAL REPORT 2023

Please find below my complete particulars for the delivery of a printed copy of KPS Consortium Berhad Annual Report 2023:-

Particulars of Shareholder

Name of Shareholder	:
NRIC No./Passport No./Registration No.	:
CDS Account No.	:
Mailing Address	:
	:
	:
Contact No.	:

.....
Signature of Shareholder

Note:

KPS Consortium Berhad adopts electronic Annual Report 2023.

You can download the Annual Report 2023 from KPSCB Bursa website or log into the Company's website www.kpsconsortium.com.my to download. Alternatively, the Company shall forward a hard copy of the Annual Report to the shareholder within four (4) market days from the date of receipt of the request.

For any enquiries, the shareholders of the Company may contact:

Mega Corporate Services Sdn. Bhd.
Tel: 03-26948984
Fax: 03-27325388
E-mail: mega-sharereg@megacorp.com.my

SCAN HERE



FOR MORE INFORMATION:



Tel : 603 - 3291 5566
Fax : 603 - 3291 4489



Lot 622, Jalan Lapis Dua,
Kampung Sementa, Batu 6,
Jalan Kapar, 42200 Klang,
Selangor Darul Ehsan, Malaysia.



www.kpsconsortium.com.my